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PROBLEMS OF INDIAN ECONOMIC DEVELOPMENT

National and Regional Dimensions

(Incorporating their Social and Political Aspects)

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PROBLEMS OF INDIAN ECONOMIC DEVELOPMENT

National and Regional Dimensions
(Incorporating their Social and Political Aspects)

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To
My Outstanding Well-Wishers
Professor Dr. Bangalore Venkata Raman
(A world-renowned exponent of Indian culture and learning)

and

Mr Subhash Chandra Sarker
(An eminent journalist)

With Deepest Gratitude

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FOREWORD

This book is a compendium or companion volume of my previous book called *Problems of Economic Development in the Third World (with special reference to India).** I had a mind to prepare both books simultaneously for the press but this did not materialise. A triad of factors—my heavy professional duties (as Head of the Department of Economics, Patna College during 1965-75, as Principal, Patna College during 1975-1979, and as Head of the Department of Economics, and Vice-chancellor, Patna University during 1979-80, in addition to those as University Professor of Economics, Patna University from 1964 onwards), misfortunes and illnesses (in the family and my own for quite a period) and, to an extent, the fact that while the publisher wrote and I applied for the sanction of a subsidy for the publication of this book in September 1981, the decision was taken in July 1982—combined to cause delay, specially in the production of this book beyond the initial stipulation of time.

This book avoids repeating, as far as possible, what that book says. Besides, it purports to say something more and something new, and say them critically. In other words, it seeks to add new facts in some cases and to make the pattern of certain old facts clearer than before by trying to throw new light on them. It embodies in certain places a systematic presentation of the findings scattered in many publications. Some of my inferences are based on the information I culled from the dissertations written for the award of the post-graduate or the doctorate degree by candidates doing social sciences, which I happened to examine over the years. I attempt to infer from particular facts and events and to get at 'what is becoming' from 'what is'. But since the 'reasoned catalogue' is small, each inference will need further verification by others. Economics is a branch of 'the reasoned history of man'. Economic reasonings are, to quote Marshall, 'merely a part of the material

* That book contains twenty chapters, viz., Implications of Economic Growth in Underdeveloped Countries, Economic Growth and Population Movements, Balanced Growth versus Unbalanced Growth Controversy, Objectives of Indian Five-Year Plans, Social Overhead Capital versus Directly Productive Activities, Constructional Activities in a Developing Economy, Poverty and Inequality in India, Indian Unemployment, Social Sector and Eradication of Poverty and Inequality, Employment Potential of Higher Agricultural Productivity in India, Land Reforms and Abolition of Rural Poverty, Enterprise-Mix in a Socialist Pattern of Society, Impact of Gandhian Egalitarianism on the Five-Year Plans, Rural Industrialisation in India, Small-scale Industries in India, Choosing between Concentrated and Decentralised Plan Efforts, Growth Centres, Agro-industrial Complexes, Contra-inflationary Policy in the Indian Plans, and Twenty-Point Economic Programme. That has been very well received.

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which Conscience and Commonsense have to turn to account in solving practical problems, and in laying down rules which may be a guide in life'.

In the other companion volume the Indian economy was treated chiefly as a 'closed' economy because I had used the expression 'Third World' in its title as a euphemism for the developing countries (though I had failed to make this explicit). In the present volume it is treated all along as an 'open' economy. This is the first salient difference between the two works. The second is that in the former book I had largely assumed away the social and political determinants of economic development, whereas in this book they have been accorded their due place and rendered articulate. I am fully aware that this is an area in which I may be credited with (or accused of?) certain value or ethical judgements, eclecticism or even metaphysics. But I don't think that the 'moral' or moralising 'tone' is totally 'out of place' in the given context. Society can be understood only as a whole. Both understanding and reason are germane to social reform. Economics has to be, as Marshall enjoined, both 'a body of concrete truth' and 'an engine for the discovery of concrete truth'. We ought to know that ordinary men deride as they may the theories of political economy, they have yet a political economy of their own, as Bagehot had remarked. The 'shrewd use of evidence', according to Samuelson, is 'the key to success in the application of the basic principles of economics'. My interest in the social and political aspects of our economic problems dates back to the period of my college and university education with mixed curricula and the formative years of my teaching career.

As in the first volume, so also in this volume the method of treatment of problems is one and the same. The chapters are conceived of as critical essays on or surveys of those problems of Indian economic development, which are of great topical interest, from particular angles of vision, set in their proper perspective, but those problems keep recurring in most chapters in different forms. *A Reader's Guide* has been provided at the beginning of the book to facilitate its use conveniently and effectively. Moreover, these chapters aim at developing 'an apparatus of the mind' and 'a technique of thinking', besides furnishing a meeting-point for the twin—tool-making and tool-using—functions of economic science. As such, they are studied within the format of the basic theories of growth and development which serve as points of reference. This is done to make even the familiar text-book topics wear a modicum of originality and freshness of outlook, approach and interpretation. In so far as teaching has been my primary occupation and researching and guiding research of others my secondary occupation for 34 years, these essays, like their predecessors, exhibit how their author is first a teacher and then a researcher or a research guide. It is my conviction that this book should prove useful to the students (including research students) of social sciences as well as to the general readers because

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the needs of both groups of readers have been kept uppermost in mind by me while preparing it. In my opinion, what is the Bunsen burner or the test-tube to the chemist, teaching is to the researcher.

All chapters have been composed with the six Five-Year Plans in the back-ground. They give an account of the recent trends in all spheres of our economic life. It is needless to point out here that the issues thrashed out in this treatise are those that are engaging the attention of social scientists, planners, administrators and statesmen at home and abroad. An endeavour has been made to locate the retarders—economic, social and political—of Indian economic development. It may be recalled that when the Planning Commission was set up in March 1950 by a Resolution of the Government of India, one of the tasks entrusted to it was to indicate the factors which were tending to retard the economic development of the country.

My foremost indebtedness is to the Plan documents and other Government blue-prints. In view of the vastness of the materials consulted in writing this book, only such sources as have been directly helpful are listed in the select bibliographies printed at the end of the book or occurring in the *Notes* at the end of a few chapters. My meeting and exchange of ideas with a number of social scientists at the universities and institutes and state departments in Bulgaria and other European countries and the U.K. (in 1978) and in the U.S. (in 1980) proved extremely useful in the clarification of my thinking on problems of common interest.

Those chapters (or parts thereof) in the present work, which had first appeared in journals,* were later thoroughly revised and recast and up-dated before being incorporated in it; so also those which had been first presented as papers at seminars and conferences,** held at, or had constituted parts of the lectures delivered at, different universities and institutes in this country and outside. Altogether these chapters cover a period of nearly eighteen years (1965 to 1982) of my teaching, researching and writing career. This is another respect in which the two volumes are alike, though this one is decidedly the younger.

Like its sister volume this volume is wholly a one-man enterprise from A to Z—without support or impetus or even inspiration from any quarter—internal or external. I had to shoulder all expenses on the preparation of this book out of my limited, scant income. Although by now I have taught in Patna University for 34 years and

* (1) *Commerce Weekly*, (2) *Eastern Economist*, (3) *Indian Nation*, (4) *Khadigramodyog*, (5) *Patna University Journal*, (6) *Searchlight*, (7) *Southern Economist*, (8) *University News*, (9) *Yojana*, and (10) *Young Indian*. I am obliged to their respective editiors for courtesy.

** These include two papers I presented as Vice-chancellor of Patna University—one at the meeting of the Association of Commonwealth Universities at Calcutta and the other at the Burdwan Conference of the Vice-chancellors of the Indian universities.

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published a few books, being the fruits of my teaching and researches, yet I have not received so far more than Rs 5,000 (five thousand) in all as the individual research grant from sources, internal and external. However, for this volume too my university sanctioned a token publication assistance of Rs 5,000 (five thousand), for which I do express my gratitude to its authorities. There are a good many college and university teachers in this country who share my fate. I am pained to have to observe that the distribution of resources and opportunities among research-minded teachers in this country is not fair and equitable and not free from discrimination and favouritism. At times the learned experts on the panels of the agencies in charge of this distribution inject an over-dose of injunctions from their pulpits which makes the applicants feel more like idiots than like fellow researchers before them (more so because they never meet). Many an applicant is advised to work, not on the subjects of their choice and not from the standpoints they want, but on the subjects and from the standpoints the experts decide in the light of their unsurpassable knowledge and supreme wisdom. I think many would agree with me that the resources and opportunities for research in this country appear to have got concentrated within a certain radius of the headquarters of these agencies and their few affiliates and appear as being controlled by a handful of oligarchical elites, intellectual snobs and high-brows. Furthermore, in this country a *mofussil* expert will remain a mofussil expert so long as he is not certified as something more than that by the great experts residing in Delhi and/or in the Central panels capable, like an alchemy, of performing the wonderful feat of transmuting dross into gold. Delhi has become virtually a place of academic pilgrimage.

Quality research now-a-days is more than a matter of individual venture and thrives only in an environment which offers the appropriate facilities and incentives. In several academic institutions there is a good deal of leg-pulling but little cross-fertilisation of ideas, although there is a craze among their products of all manner for obtaining research degrees in the shortest possible duration (some theses are understood to have got ready in three to six months, thanks to their uniquely resourceful supervisors, and in each case got examined in one to two weeks by three good friends and the degree conferred). If this be the situation, it would be foolish on my part to claim any perceptiveness or quality or excellence for my work but in spite of this, were my readers to find it useful, I would consider my labour amply recompensed.

The material for this book was compiled mostly from the literature available locally, and it is well known that Patna is a bookless place, compared to Delhi, Calcutta and Bombay. I would like to thank Dr. B.P. Mazumdar, University Professor & Head, Department of History and Dr. Z. Ahmad, University Professor & Head, Department of Sociology (both of Patna University), Dr. P.H. Prasad, Professor of Economics and Dr. M.P. Pandey, Registrar (both of the

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A.N. Sinha Institute, Patna) and Dr. D.D. Guru (at present Professor of Economics, L.N. Mishra College, Muzaffarpur, while he was at the A.N. Sinha Institute as Reader in Economics) for supplying me some books I required by borrowing them from their respective libraries. The Librarians of the Sinha Library (Dr. R.S.P. Singh), the Patna University Library (Mr B.P. Mishra) and the Patna College Library (Mr L. Prasad and Mr B.P. Sinha) co-operated with me with transparent sincerity and they all deserve my thanks. For favouring me with a few publications, I am obliged to Dr. P.D. Ojha (of the Reserve Bank of India, Bombay) and Dr. N. Shah (of the Centre for Monitoring Indian Economy, Bombay).

My family is aware of the solidarity expressed in recent months by Dr. S. Hussain (Reader in Psychology, Patna College and his wife), Dr. R.R. Behari (of the Patna University office), Dr. I.N. Sinha (Reader in Philosophy, Patna University), and Dr. B.P. Singh (of the Reserve Bank of India, Bombay, an ex-student of mine) in tackling certain minor, casual problems typical of the Indian middle-class (salaried) of to-day. We have been fortunate in enlisting the friendship of a few physicians and surgeons (some of international, others of national, eminence) who gave of their time and attention fully and freely and treated us with utmost courtesy and consideration. Their warm friendship during the illnesses provided me much respite from some of my irksome and exacting family obligations and ameliorated the inherent strain and perturbation as well as lessened the distraction from my normal work. They are: Dr. B. Bhattacharyya (whose affection we shall cherish), Dr. B. Mukopadhaya (and his wife, Mrs A. Mukopadhaya), Dr. T.C.P. Verma, Dr. J.N. Rohtagi, Dr. (Mrs) A. Sinha, Dr. J. Sahay, Dr. I.B. Sinha and Dr. P.K. Verma (the last two are almost like members of our family). On behalf of my family and on my own behalf I extend to all of them my grateful thanks. Although Mrs Seema Dev and Mr Shekhar Mookerji (her great family friend) would not like it, yet I must thank them both for their help during my illness. Among the V.I.P.'s (I have little personal contact with them), I would mention Mrs R.D. Sinha, M.P. (at present Minister of State, Government of India). She never forgets me whenever she has to suggest names for any committee or board. She has my gratitude, always.

A large bulk of economics has been forged in the fire of political debates through the ages. Stimulated by social enthusiasm, economists have rebelled against the leading evils and ills of their days, such as poverty, unemployment, inequality and exploitation, and their works are their causative factors writ large. The contemporary social life in India is sordid and depressing, tense with frightful discord and disorderliness and inequities, and menaced by blind self-love, casteism, communalism and characterlessness, misery, vice and wanton public prodigality induced by the glaring callousness and apathy of the funding functionaries and inadequate and irregular audit and accountability. Deprived of opportunity, merit stagnates,

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and nothing stagnates like stagnation. On being provided opportunity, mediocrity succeeds, and nothing succeeds like success. Opportunity creates a claim, which has a multiplier effect. Thus even pigmies come to occupy giant public posts. These bumper lotteries which fall to their lot may be either by acts of God or by those of their political god-parents. Those who can allow themselves to be used in wrong and irregular ways gain popularity and flourish. So, if the readers feel that the picture, critique or exposé of the social and political realities given in this book looks grim, grave and austere, then they should blame the author for not making them look grimmer, graver and austerer. Again, if they find my attack on our social and political maladies to be severe and sardonic, satirical and sarcastic, then they should know that I could not make it severer and more sardonic, more satirical and sarcastic.

The more I read and think, the more impelled I feel to believe that power/energy in all its varied forms is the sole source and measure of all value, all riches. It is not only the producer but also the distributor as well as the consumer of all value/riches, its own product. It is the means, as also the end, of all activity. It is the cause as well as the effect. It is used up, only to recreate itself. It is a continuous process.

I would like to make it abundantly clear that I have no personal animus against or malice towards anybody whosoever. My book abounds in generalisations (some may be even sweeping or polemical) and illustrations (drawn from sources that might have been prejudiced or biased) relating to the social and political realities of our country, which have their innate limitations, to which I have called the attention of my readers in the concluding passage of my book.

One thing more. Terms like 'the ruling party' and 'the ruling politicians' in this book do not refer to the present Congress(I) and the present Congress(I) politicians respectively but to any party that may be ruling at any time and the politicians who may be in the party which rules at any time. That is to say, I have used these terms as adjectives, and not as substantives—they are generic terms for all practical purposes.

Let me hope that our sick, ailing society improves, for, after all, hope is 'the chief lever of all', an 'energizing influence', an elixir of human life.

K.N. Prasad.

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P.S.:—The author's family has lent him a hand in doing the page entries.

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PART ONE

NATIONAL DIMENSIONS

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1

The Indian Economy During the Plan Period : A Critical Estimate

The Indian economy, which was stagnant and dependent, has been activised and made more self-reliant as a result of the Five-Year Plans. Gains have been registered in many important fields. The rate of growth of the economy has been two to three times as high since 1950-51 as the rate under the British regime. A modest rate of growth of per capita income has been maintained despite the growth of population. There has been a marked fall in infant mortality. The quality of life has definitely improved with this as well as with a marked rise in average life expectancy and a higher percentage of the literate population. Our planning has to its credit notable achievements in education, medical facilities, water supply, post offices and banks. Nearly thirty per cent of our recent growth has emanated from productivity gains; the rest has come out of the deployment of inputs. There has been a massive build-up of the infrastructure in the economy. Production of coal, our primary source of fuel, has trebled. We now consume more energy, both commercial and non-commercial. Search and progress in petro-chemicals (gas and oil) have continued. Modernisation of ports, shipping and air services is taking place fast. Banking, commerce and insurance are progressing rapidly. A most efficient exploitation of our resources is possible in the existing conditions. Agricultural production has increased. The formidable barriers to agricultural advance, viz., the out-moded land tenure system, the primitive technology of cultivation and lack of an infrastructure for augmenting productivity have been overcome to an extent. The Zamindari system has been abolished. The method of cultivation has improved. The 1960's witnessed the onset of the Green Revolution in the country. Today India is, at its low level of consumption almost self-sufficient in food. It has now an important place among the industrialised nations of the world. Industrial production has expanded. There has followed an impressive growth of steel, cement, chemicals and metallurgical engineering, and fertiliser industries. The country is almost self-sufficient in consumer goods and most

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basic goods. We produce the most complicated machinery and equipment and their quality matches the best in the world. We have made remarkable progress in the realm of scientific, technological and space research. The latest, the APPLE communication satellite, is a symbol of our growing self-reliance in this regard. There is rapid expansion of our foreign trade. The export base of the economy has been widened and strengthened. The share of non-traditional manufacturing goods in our exports is rising. Engineering goods have become the largest component of our exports today. The import content of our investment has been falling progressively. Except for certain industrial raw materials, such as petroleum, sulphur, rock phosphate and certain non-ferrous metals where our natural endowment is limited and certain sophisticated items of machinery, there are very few areas in which imports are necessary for sustaining the growth of the economy. There has been an appreciable improvement in our foreign exchange situation as a result of export promotion and import substitution measures.

This is the broad profile of India's growth in the last thirty years of planning. But its greatest achievement in the words of its present Prime Minister Mrs Indira Gandhi, is that it has "survived as a free and democratic nation".

Although development has been initiated and forces for a mighty change have been at work, the pace has been very slow and there have occurred many short-falls in the targets of the Five-Year Plans; the progress has not been orderly or flattering; and the gains are, no doubt, small compared to the immensity of the tasks that remain unaccomplished so much so that "we should be wary about exaggerating the pace of change" and instead concentrate on how to sustain and accelerate the tempo of the economy in order that it is no longer "a victim of cramped development".

Lacunae, Snags and Pitfalls

In practically all spheres the primitiveness and stagnancy of the techniques lingers in varying degrees. Higher productivity is a function of the degree of technological advance a country is in a position to make. Market expansion and technical advance are interdependent. Each acts as a drag on the other and governs the specific character of growth. Modern technology in India has been introduced in agriculture and industry only in patches. Capital and skills are not the only missing links in our country; in many cases an appropriate technology is also lacking. Scientific knowledge in such areas as agriculture, public health, meteorology and nutrition and the experience of applying it for human welfare are oftentimes generally handy as there is free international exchange. However, this is not the case where productive industrial technology is concerned. It is to be obtained by stringent commercial means. The bulk of it is held by industrial corporations abroad, specially the

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powerful multi or trans-national companies. India has to pay for the know-how, designs, expertise and experience secured from abroad. For years to come we may have to rely on foreign sources for our productive industrial technology.

It is further evident that the pace of diffusion of the forces of modernisation and technological advance varies from sector to sector, and region to region. At the root of this is the fact that techniques affect and are affected by the existing economic and social organisation. Certain types of organisation are unsuited to or incapable of absorbing new techniques and utilising them to the best advantage. To some extent, techniques must, of course, be adapted to economic and social organisation but the latter has also to change so as to accommodate new techniques, which need to be applied not merely in one or two isolated lines but in several lines of economic activity in order that advance in one line could react on and stimulate advance in others. This was recognised at the inception of the present Plan era by the framers of the First Plan.

Seen against the back-drop of the contemporary problems namely, massive poverty and unemployment, low-productivity (or thin) employment and very slow pace of industrialisation and urbanisation, the future of India appears "to be very dark indeed" (Ezekiel). Our immediate problem is how to eliminate poverty and to raise the standard of living of the people. The number of the people below the poverty line has shot up. The bottom half of the population has remained unaffected by planning. The theory that the material benefits of economic growth will filter down or percolate has proved to be a myth.

The country is saddled with under and un-utilised resources, particularly human. State policy has so far failed to secure for all citizens "the right to an adequate means of livelihood". The measures to promote rural industrialisation have failed. The hope that increments in the labour force will be absorbed in the Plan projects have been belied.

State policy has further failed hitherto to ensure that "the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment". The degree of inequality has widened. There has been increasing concentration of urban property. The tax system has failed to restrain consumption and promote equality. So another problem we have to tackle is how to create a more equitable society, i.e., how to guarantee "the largest measure of social justice attainable". The aim of the Five-Year Plans to enable the agricultural labourers to participate fully and on equal terms with others and achieve effective economic and social equality with the rest of the rural population still remains a dream. The new agricultutal technology, the so-called Green Revolution, has aggravated income disparities in the rural areas. Tension is mounting up. Tenants are being alienated

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on a large scale from their lands. There is a wide ideal-real gap in our land reform programme. Socialisation of agriculture is being delayed.

We have failed to evolve a properly structured over-all regulatory mechanism to integrate private policies with public policies. The outcome has been that the Indian economy is at present just a controlled economy or a soft state.

The country is under extreme demographic pressure. We have failed to counter inflationary pressures. The economy has been continuously in the grip of crises. Production, especially in agriculture, has suffered from instability. Every third or fourth year natural calamities like flood and drought have affected agricultural production. Capital is still very scarce. The country has been short of raw materials. Many large-scale industrial units have been sick. Infrastructural facilities have been inadequate. Potentials already created have remained under-utilised (e.g., in irrigation). There has not been proper maintenance of the given infrastructure.

The economy has now to rely on continued imports of steel, cement, fertiliser, aluminium and chemicals, oil-seeds and cotton, etc., to cover deficits in the domestic supply, even though there is sufficient productive capacity within the country which can be activated with concerted effort. Our much-vaunted self-sufficiency in food has been illusory, for we have been compelled recently to import edible oils, sugar, and even wheat.

Fertiliser is one of the most critical inputs. Its rising price has been sought to be controlled through subsidy. Only 23 per cent of the capacity of the fertiliser industry in the public sector is covered by stabilised plants and these plants have shown high rates of capacity utilisation of 70 to 80 per cent. The non-stabilised units contain 38 per cent of capacity mostly because of bad planning and working of plant and machinery.

Manufacture of steel (and cars) serves as a basic symbol of industrialisation. The domestic demand for steel is currently growing at the rate of 15 to 22 per cent, which is partly being met through increased production and partly through much larger imports against earlier commitments. The over-all performance of the steel industry is substantially lower than the target and is far from satisfactory. India is still grappling with a total steel production of well below 10 million tonnes a year. The average annual per capita steel consumption continues to be at a rock-bottom level of 15 to 16 kg, as against the figure of 100 kg in the developed countries. Price of steel continues to be very high. The increase in the selling prices of steel is to be deposited in the Steel Development Fund created by the Government of India in 1978. The Fund is the obvious source of financing modernisation projects of the industry. It is not only

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low capacity utilisation but also poor productivity per worker which has paralysed it. Given our financial constraints, we have to adopt a strategy which would enable us to build up the additional capacity and enhance output in the industry with the minimum investment.

The installed capacity of nearly 60 cement factories is 24.30 million tonnes. The actual output should be 20.66 million tonnes, at 85 per cent of their installed capacity. The aggregate demand has been placed at 26 million tonnes. After taking into account 2 million tonnes of imports, there is an uncovered gap of 4 million tonnes. Sixty per cent of the cement output is consumed by the Government itself. The chief reason for low production is that 68 per cent of the machinery in the industry has become obsolete.

The sugar policy so far has failed to reconcile the conflicting interests of the cane-grower and the sugar-producer, the rural (gur and khandsari) and the urban consumers. The Sampath Committee recommended various incentives to impart stability to sugar production by giving them excise relief and substantial direct and indirect aid for expansion and by raising their quota of free sale of sugar. The decision taken on the recommendation of the Bureau of Costs and Prices to raise the issue price of levy sugar from Rs 2.85 to Rs 3.50 a kg was expected to increase the sugar mills' capacity to pay higher prices for sugar-cane but it was doubted if it would be enough to meet the severe competition from the gur and khandsari units which were out to make the best of the impending sugar scarcity.

The authors of the Draft Sixth Five-Year Plan (Janata) very honestly concluded: "The most important objectives remain unachieved and the most cherished goals seem to remain as distant even today as when India set out 27 years ago." In other words, India had yet many miles to go.

Massive Poverty

With the background of facts and figures which we possess, it might take a great deal of laboured argumentation to try to maintain that we are a developing economy, if by economic development is meant a continued rise in the standard of living of the masses of the people. Notwithstanding the largest ever buffer-stock of food with the Government, hunger persists as distribution remains a nagging problem. Millions are either unemployed or underemployed and hence are unable to purchase sufficient rations. According to the latest Government statement, 54.09 per cent of the population in rural India and 41.22 per cent of that in urban India live below the poverty line, based on the norm of calorie consumption—2,400 calories for each person in the rural households and 2,100 calories per person in the urban households. The daily food intake of an average Indian provides just about 2,100 calories compared to 2,800

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calories required by a normal adult. But the levels of calories adopted for the enunciation of the poverty line are considered on the high side by some experts, who allow for the variations of requirements in different regions, age and sex groups and among persons engaged in different occupations. They want three-fourths of these calorie levels taken as an adequate average. When this is done the all-India percentage of the population below the poverty line will fall.

Although the people in most parts of the country get enough carbohydrates through cereals, potatoes or tapioca, their diet is woefully deficient in proteins, fats, iron and vitamins. It is generally believed that nearly one-third of our population suffers from under-nutrition and another one-third from malnutrition. But Sukhatme, by distinguishing poverty from malnutrition, asserts, firmly that at most 15 per cent of the rural population and 25 per cent of urban population in India can be deemed to be malnourished for lack of adequate income. There is nothing wrong with the quality of the food they eat. What is wrong is that they do not earn enough to buy enough food to meet their energy needs.

Everybody knows that Punjab is the richest State of India. But a study by two senior economists of the Punjab Agricultural University shows that much of the impression about the prosperity and affluence of the Punjab farmer is misplaced. Only 4 to 5 per cent of the farmers are really well off, though they stand nowhere in comparison with the affluent sections in the urban areas. The category farmers cultivating land upto 4.02 hectares are in deficit. Those cultivating land above 4.04 hectares end up in an over-all surplus, though only the last category of farmers operating land above 12.14 hectares and forming 4 per cent of the total operators generate sizable savings in the real sense. Farming yields 4.5 per cent of interest on investment, which is much less, compared to the returns on non-farm professions.

Rural poverty is the outcome of "a complex set of relationships within rural society that controls the distribution and uses of resources in that society and spills over from the narrowly economic to the wider social life of the country-side". But it is the hard core of Indian poverty. The poorest sections belong to the families of landless labour, small and marginal farmers, rural artisans, scheduled castes, scheduled tribes, and socially and economically backward classes.

It has been contended that dualism, the process of cumulative causation and the population problem act as obstacles to the growth of per capita income and contribute to the persistence of poverty in the developing economies. In those developing economies where per capita GNP has been rising and so has been per capita consumption of food, inequality of distribution is identified as the main cause of the existence of a large number of people living in abject

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poverty, below the poverty line. The concept of the poverty curtain has been forged lately to redefine standard of living for the third world countries. It is suggested by its formulators that these countries ought to shelter behind a poverty curtain and make use of their potential productive resources to meet their own basic needs. But this would not suffice. The problem of poverty has also to be dealt with at the deepest levels of ideological and institutional conflict.

One view is that the bottleneck in the poor nations is not the peasant, but more likely the powerful elites, who have failed to design projects that provide meaningful opportunities to peasants. Common explanations of this failure are : first, the people at the top do not understand the people at the grass-root level and their needs. Second, they have been pursuing a "development from above" syndrome, keeping all the incentives, all the management, all the funds in the hands of the central planners. Third, they have been following misguided policies favouring urban consumers. Unless these economic policies are revised, any effort at growth with equity will be unavailing.

India's Sixth Plan proposes to raise 15 million families above the poverty line. Allocation of Rs 5 lakhs per block as subsidy and Rs 10 lakhs as credit has been made. There are 5,000 blocks in the country. Each block has, on an average, 20,000 families, of which 8,000 have an income of less than Rs 3,500 per year and are thus below the poverty line. Each year 600 families in each block is to be assisted to rise above the line, preferably through the cluster approach by giving them the necessary income generating infrastructure with an investment of Rs 8,000 per family.

Other measures envisaged in the Plan to remove poverty are :

(a) Making foodgrains, sugar, vegetable oils, and kerosene available at reasonable prices, (b) Concessional fares for going to places of work, (c) Providing clean and nutritious food through community kitchens, (d) Improving the quality of life through the (revised) Minimum Needs Programme, (e) Enforcement of minimum wages legislation, (f) Redistribution of surplus land among the landless labourers and farmers with uneconomic holdings, a more effective implementations of the ceiling legislation and other laws providing security of tenure to the cultivator, consolidation of holdings for better land and water management and village planning, and (g) Promotion of opportunities for gainful employment.

Clear-cut programmes directed towards specific areas and specific groups of the population for combating poverty are the need of the hour. Action of these groups has to be intensive. As said before, the agricultural labourers will constitute one such group. A recent report on the wages and earnings of the rural households by the Union Ministry of Labour and Employment has brought out that the

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real earnings of 24.8 million rural labour households has decreased by 12 per cent despite the increase in their wages from Rs 1.43 in 1964-65 to Rs 3.24 in 1974-75. The number of such labour rose from 15.3 million to 20.7 million during the same period. The number of such labour coming from the scheduled tribes rose by about 37 per cent. The labour belonging to the scheduled castes got maximum wages. Wages in agricultural occupations stood below that in non-agricultural ones. Inflation cut into the real value of the money earnings of the rural workers.

It is high time that a fresh in-depth study of our poverty problem was projected. This would disclose new configurations and contours. Probably, even though some of the old poor class have moved above the poverty line, some new poor have emerged. It is essential that these are identified. The process of growth, the equity policy tools, the inflationary pressures, and the like have engendered new economic classes, and these have to be located and redefined. Moreover, politicalisation of the issue should stop. It is no good denying improvement in the standards of living of the village folk, if it is an established fact. Improvements in housing resulting from construction of new houses and those in the existing ones; the possession of durable consumer goods; and a readiness to adopt urban middle-class mores in clothing, for instance; progress in general health and nutrition, in training in skills or literacy levels, and so on, are phenomena in the face of which even the most jaundiced critic would not fly successfully. The Government has pumped plenty of money in the course of planning into the rural sector. Private individuals have also contributed their due share. In certain respects a rural middle-class family is better off than an urban middle-class family and the poverty of the urban poor is more unbearable than that of the rural poor because of the peculiarity of the urban environment.

Inequality

There is a universal impression among us that planning has enlarged the gulf between rich and poor. No clear breakthrough has been achieved so far as reduction of economic inequities is concerned. The Plans have admitted that the dilemma of growth and equity were at loggerheads. Whatever little rate of growth the economy has registered has not measured upto the welfare of the masses of the people inasmuch as it has been unrelated to the distribution of the national income as between different classes. The concentration ratio for assets owned by the rural households was 0.65 in 1961-62; it had increased to 0.66 in 1971-72. The poorest 10 per cent of the rural households owned only 0.1 per cent and the richest 10 per cent owned more than half of the total assets in 1971-72 as well as in 1961-62.

The fact that even with a low annual rate of growth rate (of around 3.5 per cent), the rate of savings in the economy had risen

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considerably was proof of the glaringly unequal distribution of the benefits of development. The operation of the programmes of assistance proportional to the level of production had tended to benefit the larger producers in the private sector.

The employed in all sectors formed a privileged class, managing to secure a larger and still a larger slice of the cake of national income by means of persuasive and aggressive activities, besides manipulating in many cases jobs for their kith and kin, as if employment wherever it existed was hereditary. The share of wages in national income showed a rise, whereas that of profits, a fall during the 1960's and the 1970's, although the real wage stayed put or moved down on account of run-away inflation.

Political equality ("one man, one vote"), which only a very small fraction of the electorate exercised freely or under duress (the part played by money in politics being there) had not guaranteed economic equality. A relieving feature was that "the rituals and institutions which for centuries essentially legitimatized inequalities" were gradually losing "their social and political sanctions".

The Government strove to redistribute income and wealth through taxation, redistribution of assets (like land, urban real estate and corporate property), steering the distribution of essential commodities, infrastructural facilities and social services in favour of low-income consumers, increasing the share of small farmers and small enterprises in institutional credit and in the supply of material inputs and improving their access to technical and marketing assistance, reducing inequalities by minimising unemployment, and organising the rural and the urban poor.

The realisation that greater integration into the income-generation process and the vesting of assets specifically in the poor, either through the creation of new assets or through the redistribution of existing ones is a mile-stone in the evolution of the Plan policy in this country in the sense that it now abjures its faith in palliatives and affirms its faith in cures. This will help in the restructuring of the output in favour of goods and services that go into mass consumption.

We should weigh up the advantages of the self-reliant development model of China under which the accent lies on the fulfilment of the people's basic human needs and on providing institutional structures that enable people to exert control over the conditions in which they lead their lives.

Last but not least, the rulers of India should make their life-style less expensive in keeping with what it can afford. According to a study by Mehra (published in the *Times of India*, April 27, 1980), approximately Rs 44.90 crores are spent annually on them (viz, the President, M.Ps, Central and State ministers, M.L.As and M.L.Cs,

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and Governors). This figure represents but the salaries and perks of the rulers and does not include the expenditure borne in actually governing the country through a veritable army of bureaucrats. In some cases the figures represent net expenditures, that is, after taxation, so that the gross expenditures would be mind-boggling.

The inequality issue in India has a second dimension, namely, the inequality between rural and urban areas in the provision of the socio-economic overheads. The railway investments have been oriented towards the needs of the growing industrial sector and urban traffic. The Plan priorities have tended, by and large, to concentrate on the movement of goods, especially raw material and finished products linked with the development in the organised industry and the urban sector. The requirements of the rural economy and population have received inadequate attention. Rural roads have been neglected. They are inadequate and badly maintained. Bus routes to villages are few and far between. Bullock-carts hold the pivotal place in rural transport. Diesel meant for farmers, particularly in backward areas, has been siphoned off for use in trucks and buses in the more prosperous areas. This has condemned the rural areas to the traditional modes of transport. Expansion of the power generating capacity has been centralised in the industrial and urban sectors. Proportionately more is spent on the urban water supply drainage and sanitation schemes than on the rural. The existing Western model of medical and health care services is such that it gets generally confined to the urban areas. The village schools are of extremely inferior quality. Most of them are devoid of the basic prerequisites. Their staff is less devoted to teaching and more devoted to politics. The social stratification in the rural areas itself aggravates inequities in the enjoyment of the public consumption goods. Compared to the agricultural labourers, the urban workers are still a privileged group. Pampering of the urban consumer at the expense of the rural is a well-known fact. Agricultural research takes up less than one per cent of the total public sector expenditure. The current personnel policies of the Government have an urban bias in that they tend to penalise those posted in the rural areas with regard to allowances and amenities, instead of providing incentives.

This brings us to the regional desparities. Chaudhuri is correct when he states that nothing very precise or certain can be said about the regional pattern of poverty in India because no two studies include and exclude exactly the same States. The ranking order of the States within the broad groups (rich and poor) varies from study to study and from period to period. No two authors agree on the extent of poverty in the various States or on the extent to which the problem has worsened or improved within a certain period. A State, which scores high on an inequality index, sometimes scores low in terms of numbers of the poor below the poverty line. In spite of this, a state like Bihar, remains, on all counts, the poorest.

Eastern India is a region where permanent settlement created

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absentee landlordism that was opposed to enterprise in agriculture, with several exceptions, of course. Diversion of leading interests from agriculture to service or profession and the traditional apathy of the rural upper or middle classes to practical agriculture form part of the socio-cultural background, explaining the slow growth in this region, as brought out in a study by Mandal.

Mandal's study has revealed that some progress has taken place in agriculture in this region through the efforts of the villagers to exploit whatever facilities were available to them in the form of increased supply of irrigation, fertiliser, transport, etc. The increase in agricultural production has been more due to increase in the yield rate (through improved technology) and less due to increase in the intensity of cropping. Inadequacy of the irrigation facilities, particularly during the rabi season has limited the scope of the increasing intensity of cropping. A tendency towards owner-operation in farming is perceptible. This is partly owing to the abolition of the zamindari system, directly converting many tenants into owner operators and partly owing to the resumption of self-cultivation induced by better supply of inputs and other facilities. This is perhaps a cause of the swelling of the proportion of workers in the rank of agricultural labourers through eviction of share-croppers with possible adverse effects on social welfare. There is also a tendency towards diminution in the size of holdings under the pressure of population and the consequent break-up of families. In several areas the exodus of village labour to urban areas and other States has had a deleterious effect on the maintenance of cultivation and other works. Intensive utilisation of land and water resources and increased market orientation of agricultural production could further increase opportunities of effective employment in agriculture.

The eastern and the southern states lag behind Punjab and Haryana in the consumption of fertilisers and power. Against the national average consumption of 130 units per capita, the average consumption per capita in Punjab and Haryana is nearly 300 and 200 units respectively. Added to this is their substantial use of diesel in big generators installed in a large number of factories and in tube-wells. Because of their comparative prosperity, these states are able to withdraw enormous quantities of diesel earmarked for other states through the nationwide mechanism of what is known as the parallel economy. The basic dilemma of these states arises from their remoteness from the two major sources of energy—coal and oil—resulting in overdependence on uncertain and costly hydel resources in the Himalayas.

Almost the entire eastern region is fast becoming a "basket case" because research and investment in rice have been regrettably deficient. A buoyant situation prevailed for the engineering industry in the region, particularly in West Bengal, in the 1950's and early 1960's when orders were received from the growing steel industry and the

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traditional jute and tea factories. But that is a thing of the past. In 1979 the eastern region lagged behind other regions in terms of the industrial licences issued by the Centre. Whereas the northern region got 45 per cent, the western 22 per cent and the southern 21.4 per cent of the total licences issued, it got barely 11 per cent. This was symptomatic of the dull investment climate obtaining in it. The Centre was reluctant to set up units in the public sector in it. This partially accounted for the industrial stagnation which had seized it.

The poor investment climate in the eastern region is ascribed to a host of factors, such as bad management, political interference, power shortage, unfavourable industrial relations and the apathetic attitude of the Government. Power is the major infrastructural constraint on the industrial development of this region. Neglect of plant maintenance, desertion by engineers and operators, uninspiring environment and unimaginative planning have conspired to create a problem for the thermal plants of the Damodar Valley Corporation, that is, erratic generation. In 1979 this region claimed 45 per cent of the aggregate man-days lost in disputes. The production loss in that year alone on this account was of the value of Rs 7.37 crores. Inefficient labour management was directly responsible for this strife. Nothing was done to woo West Asian investors by the State governments in this region as elsewhere.

As a matter of fact, only lip-service has been paid upto now by the planners to the regional balancing of the country's development. Given the diversity in resource-endowments, agro-ecological conditions and socio-cultural milieu of different regions, no uniform model of economic development would subserve the purpose. Of all economic activities. agriculture, which is the prime occupation of the major percentage of our population, is least suited to be a homogeneous activity, being carried out under different institutional arrangements. In any model of its reconstruction the local vintages have to be properly reckoned with and the model so framed as to encompass them.

Unemployment

The capacity of the Indian economic system to absorb its manpower in productive employment has been less than perfect or adequate. The employment objective is still the most important challenge to the Indian planners. Poverty, inequality and unemployment are inter-related phenomena. Underdevelopment is reflected in all these. Human beings are valuable assets. Their skills last not merely during one working life but are transmitted for generations.

The quantitative estimates of the backlog of unemployment and of employment potential indicated in the Second and the Third Plans were misleading. As a result, no specific targets for reducing unemployment were spelt out in the Fourth and Fifth Plans.

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Conceptual difficulties in estimating unemployment have stood in the way of an adequate appreciation of the problem of employment and have also hindered the evolution of appropriate remedies.

On a rough estimate, 30 to 40 million persons would be unemployed and underemployed in the villages. The number of job-seekers on the live register of the employment exchanges showed a rise of 13 per cent from 14.33 million in December, 1979 to 16.29 million in December, 1980. The number of educated job-seekers also increased from 6.93 million in June, 1979 to 7.66 million in June, 1980. Each year the addition to the reservoir of the unemployed amounts to 0.5 to 0.6 million.

Employment in the public sector rose from 15.04 million at the end of March, 1979 to 15.69 million at the end of March, 1980. In the private sector, employment rose by only 0.3 per cent in 1979-80 as against a growth rate of 2.3 per cent in 1978-79. This was evidenced by the rise in the number of jobs from 7.20 million at the end of March, 1979 to 7.23 million at that of March, 1980.

Employment begot employment. Those who were employed succeeded in getting their own people employed more than those who were themselves out of employment. This was true in many cases. Employment tended to get concentrated in particular families. The hereditary character of employment appeared to be back with a vengeance. Backdoor and irregular appointments multiplied. Even when temporary, those who got such appointments later resorted to pressure tactics to get their appointments regularised. Those, deserving and more meritorious than they were, got shunted out. The growth of trade unionism in all trades, big or small, actuated their proprietors to recruit their personnel preferably from among their own kinsmen. "Blood is always thicker than water" became the motto. In nuclear middle-class families residing in towns and cities a trend set in, whereby wives also earned alongwith their husbands, and they seemed to roll in affluence. A certain percentage of posts was reserved under our Constitution for the weaker sections of society. In some areas appointments were made on the basis of the caste of the decision-maker; only those belonging to his caste were selected. This provoked the animosity of those belonging to other castes, who felt that they were penalised for the sheer accident of their birth over which they had no control. This was noticeable in the most rabid form in Bihar.

It has not been feasible in the last three decades of planning to gradually shift the centre of gravity of the economy from agriculture to non-agriculture, especially to industry. The slight general prosperity of agriculture has absorbed the unemployed and the underemployed in distribution, transport and other tertiary activities carried on in the rural areas and in the towns surrounding them. The services sector is bulging with the people it supports at present. This is partly attributable to persistent inflation. This excessive

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expansion of the services sector has occurred long before the completion of the agricultural and industrial revolutions. The lack of balance between this sector and the other two sectors is easily apparent to the casual observer. To an extent, this is the product of the limitation of the policies and the institutional frameworks of the richer countries as well as of the induced economic growth. The Government has financed its expansion by even incurring deficits since it is a symbol of the Government's commitment to usher in a welfare state. Productivity, and hence earning, in this sector is generally on the low side because of over-crowding.

Hitherto, the special programmes for solving the problem of unemployment and underemployment has often tended to be formulated and implemented in isolation of the on-going development projects. They have been of an *ad hoc* nature. Employment has not been viewed as an indivisible component of development and the two have not been "catalysts of each other". This has led to an operational dichotomy between employment generation and development programmes concerning infrastructure and area planning. In consequence, the benefits to the community from the limited resources could not be maximised. This is to be rectified during the Sixth Plan. An integrated rural development strategy will be enforced through a multi-disciplinary appraratus. All overlapping programmes would be made to coalesce functionally and unleash a mass flow of development activity. Production and productivity in agriculture and allied sectors would be increased and so would be the resources and incomes of the vulnerable sections of the population in all blocks. For the large class of sub-marginal farmers, agricultural workers and landless labourers the corrective lies in the provision of supplementary occupations and other employment opportunities, which have to be coordinated with local planning.

A more determined and aggressive approach to rural public works has been launched. These works act, *inter alia*, as a residual category" of employment absorbing, over a period of time, able-bodied persons seeking work. The Food-For-Work Programme under the Integrated Rural Employment Scheme, which was implemented by the different states, with foodgrains furnished to them by the Centre, has made a dent on the rural unemployment problem in most places, providing jobs to the needy in works of various types purporting to improve the infrastructural facilities there. It has diminished the immobility of land-bound labour through the offer of higher wages. Agricultural wages have gone up due to this factor as well (migration of labour to the richer states, more rigorous enforcement of the Minimum Agricultural Wages Act being other factors). Some localities have experienced the dearth of labourers at the harvest and other peak times of cultivation. The system of payment of wages in kind has pushed up the prices of rice and wheat in the villages. A few village industries (e.g., handlooms, *ghani* (oil mills, wheat grinding and paddy hulling, etc.) have received an impetus

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from the increased purchasing power of the rural workers thus employed. Above all, the programme has implanted in the minds of the rural mass a consciousness for resisting under-payment.

But during 1980-81 the Programme (redesignated as the National Rural Employment Programme by the Congress Government) suffered a set-back on account of low procurement, low grain reserves and starving of the programme by the Centre in certain states. The reluctance of banks to advance credit to the states for the programme was another bottleneck. The backwardness of the rural infrastructure compounded the difficulty. The character of the people who were in charge, which made them misappropriate and misdirect funds, turned the creativeness goal into a mockery, and stood as a permanent stumbling-block, a perpetual threat to the success of this programme.

All in all, the goal of the planners to reorganise the rural economy in such a way that it develops on its own steam, of its own volition, provides "equal opportunity for every member of the community irrespective of caste or status" and creates additional employment that matches closely with "the location, skills and idle time of the unemployed" will take years to become a reality.

In an anti-unemployment programme the choice of technology holds a crucial place. The technology chosen for production or construction works must be a trade-off between the twin objectives of efficieney and equity so that it kills two birds with one stone, generating employment as well as investible surplus, producing both capacity-creating and income-generating effects. The direct and indirect employment and income effects of road-building, minor irrigation works, rural electrification, etc., may prove more favourable than those of other alternatives in those sectors.

As of the previous plans, the Sixth Plan too would confer larger benefits on those who are qualified to enter the salaried professions and organised labour. This would tap, to an extent, the given reservoir of the educated unemployed in the country. The resource backup to tap it fully would not grow even during the Sixth Plan, as was the experiences of the previous Plans. To surmount this the employability of those who receive higher education must be ensured and its "upper caste and upper class bias" must be mitigated.

The "sons of the soil" have been clamouring for preference in employment in the enterprises located in the most backward states arguing that they have been manned by outsiders, who discriminate against them. This is a demand that is gaining momentum. The Study Group on the Sociological Aspects of Labour-Management Relations, appointed by the Indian Commission on Labour considered it harmful to the national interest. While this is true in principle, it is imperative that some weightage is accorded to them with a view

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to stalling the charge of discrimination, though efficiency should not be imperilled at any event.

The International Aspect

India does not plan within a closed economy. As such, developments abroad, economic or political, may occasion adjustments in a Plan. Foreign trade is only 10 per cent of the country's national income. Its share in world trade has been on the wane. It was 2.4 per cent in 1947, 1.1 per cent in 1960 and 0.5 per cent in 1979.

The recent deterioration in the balance of payments position of India has been alarming. Its foreign exchange reserves started falling in 1980-81 after a near-continuous rise for nearly five years. The rate of growth of its exports has also declined sharply. About two-thirds of its export earning are meeting the crude and petroleum import bill alone. There are other imports (of fertilisers, steel, cement, non-ferrous metals, good quality coke, edible oils, and, recently the sugar and wheat) too. Their costs are constantly rising. The net result of this disability is that other essential imports which would galvanise the infrastructure of the economy have to be pruned forcibly. Ensuring an adequate flow of foreign exchange to maintain a supply of the imported inputs has posed a serious problem. In order to preserve India's credit rating in the international capital market our debt service ration (debt-service expressed as a percentage of our exports) will have to be stabilised at less than 20 per cent. Foreign aid is in reality concessional credits which have to be repaid.

Our approach towards self-reliance is to be built on a package of measures which promote exports and allow for substitutes to be produced at home by means of restructuring the production base in appropriate directions. This is to imply curtailed dependence on imported oil. A 10 per cent per annum rate of growth of our exports would call for extension of all possible facilities to the export-oriented industrial and agricultural activities so that they expand their capacities. The inflow of remittances from Indians over-seas has to be maximised. India has benefited from such remittances. In the mid-1970's the number of Indian workers in the Gulf States rose considerably. Their annual remittances rose from less than 250 million in 1974 to an estimated 2.4 billion in 1980. The Malhotra Committee on Foreign Exchange Remittances by Indian Nationals Residing Abroad urged that a majority holding of corporate entities and trusts by non-resident Indians should suffice for their eligibility to invest in the country.

To help India to tide over its imminent foreign exchange crisis, the experts in the IMF are inclined to maintain that rendering its imports more expensive than they already are (due to the OPEC oil prices, foreign inflation and high import duties) or making its exports less expensive by devaluing the rupee would impart a fillip to our foreign

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trade policy and stimulate its net earnings of foreign exchange.

Inflation

The Indian economy has been in the throes of run-away inflation for long. Inflationary pressures are snow-balling in the economy. They show no sign of abating. Inflation, not growth, appears to be agitating the Government. It is seized of the problem of "correcting inflationary pressures" and of "restoring the economy to a position of balance".

The inflationary potential or gap in an economy is measured by "the excess of consumption demand plus investment demand over income at the given level of employment expressed in current prices." Potential inflation becomes actual inflation unless measures are taken to suppress it.

The most significant inflationary impulses in the Indian economy have originated from a few commodities, notably the crude oil, petroleum products, and the sugar, khandsari and gur group. More than half of the total rise in prices is due to them. And one-quarter of the rise is due to the first two items. Other sensitive items are edible oils, newsprint, rubber, paper, cement, steel, soda-ash and coal. Shortages of these essential consumer goods and industrial inputs in relation to the demand for them and hence their soaring prices constitute the crux of our inflation.

In India, price inflation was 6 per cent per annum after 1955 and 10 per cent per annum after 1962. It was 13 per cent after 1965. During 1973-74 it was 20 per cent and during 1974-75, 25 per cent. The Fourth Plan ended in "a whimper with the run-away inflation of 1972-74". The world oil crisis occurred in 1974. During the 1970's the annual rate of inflation was 9 per cent. The price-index in 1980 (November) with 1960 as base registered a fourfold rise. During 1979-80 the rise in prices was 21 per cent. The two-digit inflation raging was an evidence of the major failure of Indian planning on the economic front. The annual average of the wholesale price index for 1980-81 was higher at 18 per cent. The country has survived as a democracy despite suffering two-digit inflation over these years.

Supplies of the essential goods and services have risen less than rapidly or, alternatively, registered a sharp deceleration in certain cases. Droughts and crop-shortfalls have been critical elements in the run-up of food prices. Sudden supply shifts combined with sudden demand shifts clearly tended to produce drastic price fluctuations, particularly in an area such as agriculture where changes in price do not quickly induce either enlarged supply or reduced demand.

Industrial production slowed down due to the growth in the number of sick units. Supply constraints existed. Cost-push factors operated in the economy. The international price situation continued to be volatile. The inadequacy and inefficiency of the coal-

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transport-power complex were clearly felt. In many key sectors, delays in construction, escalation of costs and the failure to utilise capacity fully added to the difficulties of the producers. Prices of imports like petroleum, fertilisers, steel, non-ferrous metals, machinery, edible oils, etc., rose tremendously. Indiscriminate indirect taxation by pushing costs of production built powerful inflationary pressures into the economy. According to an estimate, the 12 per cent price rise was owing to rise in the cost of all major imports, new taxes, and fall in the output of raw materials.

Profiteering, black-market and flawsome public distribution have accentuated scarcities. Smuggling of sugar, edible oils, onions and spices across the western borders and Pakistan has worked in that direction.

The public distribution system was reduced to a shambles as a result of black-marketing, hoarding and profiteering by the farming and trading interests. The latter outwitted the Food Corporation of India (FCI) in its procurement drive. During the immediate post-harvest period, the ordinary agriculturist resorted to distress sale. Large stocks piled up in the surplus areas straining the limited resources of ware-housing and movement, whilst the chronically deficit areas suffered deprivation for lack of adequate supplies as well as purchasing power.

Khusro distinguishes between two types of hoarding of food-grains, namely, pipe-line or transaction stocks and speculative stocks. The first-type stocks are stocks from current production destined for current consumption. Since the crop comes in two major out-bursts and consumption is a steady stream, someone has to hold the pipe-line until the demand off-take occurs. Much of the traders' stocks, like the farmers' stocks are pipe-line stocks. The trade in a mixed economy is well-qualified to hold the pipe-line and "there is no particular merit in the Government doing so". It is only when traders hold stocks for speculative purposes over and above the transactions stocks that they can be taken to task by the Government operating anti-speculative buffer-stocks equivalent to transactions stocks, which have to be depleted before the year is out, to stabilise prices. Finally, no real buffer-stock is built up for operations in the long run.

Although in the agriculturally predominant States the total food requirement of their urban population forms a small fraction of the total food production in them, its significance is far-reaching as it is linked with that part of the total internal production which comes on the market out of the production of a rural, subsistence economy. It connects the general economy with the urban, and thereby the rural prices with the urban. Because of the inelasticity and primary urgency of the demand for food any deficiency in this margin is prone to dislocate the entire urban economy comprising the non-agricultural wage- and salary- earning population and upsets the gearing between the agricultural and industrial sectors of the

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economy. It affects the urban population which is deficient from the point of view of food production. It entails serious political and administrative problems.

In the final analysis, the speculator and the merchant often only aggravate a food shortage; they do not normally cause it. Competition among the buyers of food in the money or exchange part of the economy sends prices up by several times the actual percentage of deficit in its supply. The usual law of higher prices stimulating increased supply does not operate as agricultural production takes time. The results are just the reverse. Rising prices induces the traders to hoard or hold back the supply both for inducing further rise in prices as well as in the hope of increasing profits by the automatic process of rising prices. The situation also induce the consumers to buy beyond their immediate requirement and to hoard for fear of further rise in prices. The growers themselves eat or waste more since they are able to obtain the same amount of money by the sale of a smaller quantity of their own produce. They too are induced to hoard in the hope of pocketing higher prices subsequently.

Coming to the demand-pull factors, we have the pressures created by the Plan outlays, financed by incurring deficits year after year. The yawning budget deficits at the Centre and in the States have plagued the economy and placed it in the doldrums. In spite of the huge Plan expenditures, the actual development has often fallen short of the targets. The Central Government's budget deficits during 1977-81 amounted to over Rs 6,500 crores. During 1981-82 the estimated deficit was Rs 1,539 crores. The widening trade gap was estimated at Rs 4,000 crores in November, 1980. The uncovered deficit in the 1981-82 was expected to be of a larger magnitude. The inflationary potential of demand pressures engendered by these cumulative budget deficits was stupendous.

Analysts have urged that there is always a time-lag of 18 months to 2 years in the effects of budget deficits on the various sectors of the economy. But the bane of cumulative deficit is that prices continue their upward march, aggravated by shortages and cost-push factors.

The extravagance of the Government, the ever-increasing unproductive expenditures incurred by it, the conspicuous consumption by the rich and the proliferation of the parallel economy of black money keep stoking the fire of inflation.

Jha has attempted an ingenious analysis of how the successive instalments of dearness allowance granted by the Government to its employees on the basis of rising cost-of-living index add fuel to the inflationary fire. The Indian wholesalers and retailers have grown so used to the periodic increase of dearness allowance that they treat the mere announcement that the dearness allowance threshold has

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been crossed as a signal for raising their prices.

This analysis shows that the primary rise in prices caused by a crop failure and the secondary increase caused by a rise in deficit financing have a time-distance of not more than nine months. This time-distance is particularly unfortunate because the secondary rise comes just in time to nullify the deflationary effects of the arrival of the next year's *kharif* harvest.

The worry of each group of consumers is how to shift the full burden of the shortages and consequent price-hike on to the shoulders of the other groups of consumers.

Subsidies have contributed to the budget deficits. They have continued to increase, especially under the heads of food, fertilisers and exports. From Rs. 470 crores in 1975-76 they rose to Rs. 1,860 crores in 1979-80. In 1980-81 the bill stood at Rs. 1,423 crores. The estimate for 1981-82 was Rs. 1,700 crores. Food subsidies are needed to hold down the cost of living and avert social unrest. Export subsidies may be unorthodox but not quite incompatible with the IMF's objective of export promotion. Fertiliser subsidies are quite of a piece with the recommended policy of supply management to produce sufficient food and raw materials to avoid or replace imports. These subsidies augment the purchasing power of the affluent farmers. This, in turn, increases their demand for non-agricultural goods and services.

The budget deficits have been covered largely by printing money, which is the same thing as creating Reserve Bank of India credit. When in due course part of the money thus created—the primary expansion of money—reaches the banks and augments their cash holdings (reserves), the banks expand their credit—i.e., loans, over-drafts, advance and discounts—and a secondary expansion of money ensues. We have here the origins of our inflation traceable to the demand side-budget deficits and the consequent secondary expansion of credit. If the net national product increases, this contains roughly a corresponding proportion of the expanding money supply. The major part of this money supply, to which no physical output corresponds, is inflationary and drives prices up. The money supply per physical unit of the national product is larger.

During 1976-79 there was 50 per cent rise in money supply in the Indian economy. Notes in circulation alone increased from 6,000 crores to 11,000 crores. The credit advanced by banks rose by 2,000 crores per year. In 1977-78 increase in GNP was to the tune of 7 per cent, which was nearly half of the rate of increase in money supply. In 1978-79 increase in GNP was less than 4 per cent but increase in money supply was 19 per cent. In that year, bank credit to the commercial sector was 4,120 crores, which was 50 per cent more than in 1977-78. A good portion of this credit was diverted to speculative activity. The rate of increase of money

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supply in 1980-81 was 17.4 per cent and in 1979-80 it had been 17.8 per cent. Bank credit to the Government sector on March, 1980 was Rs. 6,000 crores. The expansion of money supply was still high in 1981 and was expected to be nearly four times the expected rate of growth of about 4.5 per cent in real output, in that year. The rate of increase of money supply was explained by increased bank credit to the private commercial sector, increased credit needs of the public sector undertakings to meet losses and net bank credit to the Government sector.

Pumping of more money into the economy has set in motion demand pressures that supply shortfalls have aggravated into run-away inflation, which has further eroded the base of the economy.

One disadvantage of a heavy flow of remittances from Indians working abroad has been an increase in domestic money supply without a commensurate rise in production. This has reinforced inflationary pressures.

The volume of money needed for transactions has risen because of larger output, higher prices, higher earnings (ensuing to the working class, for example), distribution of relief, etc. With rise in tax liabilities and other contingencies, more money has been held by the people to satisfy their precautionary motive.

The fact that our economy has been characterised by increasing capital-deepening unaccompanied by corresponding increases in productivity has meant that every increase in output has placed a greater strain on the economy by more than proportionally increasing investment requirements, culminating in a lower rate of growth and cost-push inflation attended by serious balance-of-payment difficulties.

High liquidity remains for the Indian monetary authorities a chief cause of concern in the current inflationary situation. The behaviour-pattern of the Indian peasantry can be referred to in this context, as done by Jha. The effect of changes in the velocity of circulation of money is to exaggerate the rise in prices after a poor monsoon out of all proportion to the decline in the harvest. This is because it displays a marked tendency to go up after a poor harvest and to go down after a good one. It is definitely connected with the "dissaving" that occurs after a good one. In the first case, as the poor farmers seek to turn their assets (including gold ornaments) into cash, any given supply of money changes hands faster. This conspires to raise prices by far more than the fall in agricultural production warrants. However, all of these forces do not reverse themselves after a good monsoon. There is heavy saving in the rural areas (in terms of gold purchase). This brings forth a fall in the velocity of circulation of money and strengthens the deflationary effect of the rise in agricultural produce. A sharp reduction in the

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supply of money after a poor harvest will diminish the inflationary pressures generated by the fall in food production. A reduction after a good harvest will at least allow full play to the deflationary pressure that it usually generates.

Black money, nomenclatured as the parallel economy, is proving the Achilles heel for the Indian economy. It is not a stock but a flow. It is self-propagating. Its three main causes, according to Palkhivala, are : (1) Shortages due to inadequacy of production, (2) Irrational price and distribution controls and (3) Excessive taxation. It is intertwined with the black-market, which is "the ulcer in the stomach of our economy". The black-market is the progeny of a system of controls. Owing to shortages people are prepared to pay, and sellers to receive, large "black" incomes, which they cannot declare, and on which they cannot pay tax. The "fiddlers" pay and receive in cash. On the eve of the budget session cooking oil, soap and cloth go underground and are available at inflated prices in the black-market. Steel, paper and cement sell in the black-market dodging statutorily or informally controlled prices.

Commodity speculation thrives well in a state of high liquidity, especially in a situation of the physical shortages of essential commodities like pulses, edible oils and sugar.

Black incomes are invested only in assets like land, gold and commodity hoards, and not in bonds and shares, that is, real capital. While the latter are "catchable", they also yield a lower rate of return on the investment in them. Unchecked rise in urban land values has given birth to a new class of landlords and real estate speculators, who have had double gains in inflation and tax evasion.

The non-banking financial companies and partnership firms are understood to have acted as channels for converting black money into white and for generating further black money. They have led to distortions and inequities, which have got further aggrandised in an inflationary situation.

Knowing the potent part that money plays in our elections, and knowing that legitimate political contribution to parties and elections by the corporate bodies has been banned and public auditing of the accounts of parties is not in vogue, there simply is "no escape from having to live with black money".

Ten per cent of GNP in 1969-70 in India represented black money, according to the Wanchoo Committee. But many are of the opinion that this was a gross under-estimate.

The circulation in 1981 of the special bearer bonds by the Government was aimed at unearthing black money, "to ferret out black money", so to speak, and thereby to control the liquidity in the economy and hence stabilise prices. As the antagonists of the scheme put it, it was an "obnoxious device" to legalise black money.

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But the scheme had a poor response. Understandably, the holders of black money, actively engaged in commodity speculation and asset-piling, have preferred to utilise their resources for making more gains from the prospective shortages instead of getting them impounded in these bonds. To make up for the short-fall in receipts from the bearer bonds, the Government was obliged to raise the prices of oil.

Until 1965 no anti-inflationary policy had taken shape in India, nor was the policy that existed pursued vigorously. Dependence continued to be placed on the war-time methods of price controls and quota allocation. A network of fresh controls was devised. The result was black-marketeering and black money. Steep taxation followed, which encouraged evasion. The capital market lay low.

The first turning point in the evolution of an anti-inflationary policy in our country was the raising of the bank rate in 1965. The second was in July, 1974, when measures were taken to relieve the pressure of excess demand in the market by limiting the disposable money incomes.

The second coming of Mrs Indira Gandhi as Prime Minister of India in January, 1980 meant immediate swinging of her Government into action against inflation and the mounting of an operation for economic recovery. Statutory price control was imposed on sugar under the Essential Commodities Act. This needs some elaboration.

The sugar production targets and sugar-cane prices are fixed by the Agricultural Ministry of the Government of India. Sugar stock releases are also determined by it. The State governments supervise distribution. Thirty-five per cent of sugar is for free sale. In this the Government has no voice.

A major factor in the steep rise in the price of sugar was a sharp rise in sugar consumption and a slump in its production. The demand had risen to 6 million tonnes, whereas production was about 3.95 million tonnes in 1979-80. A reason assigned for the short-fall in sugar production was the poor availability of sugar-cane. Another was large-scale diversion of sugar-cane to gur and khandsari manufacturers, who had an edge over mill-owners because they did not have to pay excise duty or to meet the demands of compulsory levy and hence could afford higher prices for sugar-cane, particularly at a time when the price of sugar in the open market was high. Yet another reason was that the policy followed by the Janata and the Lok Dal governments had ended in an unhealthy competition, with the result that the sugar mills had been unable to produce more than 61.3 per cent of the bonded cane.

In June, 1981 the Government decided to import 2,00,000 tonnes of sugar.

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Prices of diesel and kerosene were reduced by reducing excise duty. In case of vanaspati, wheat products, cloth and salt a dialogue was initiated with their manufacturers so that their prices could be monitored. A reasonable price parity for farmers and non-farmers was considered. The support price for wheat was raised. To increase availability of industrial raw materials, abolition or exemption of customs duty was visualised. The infrastructure was to be streamlined. The Union Ministries were to enforce a 10 per cent cut in their non-developmental spending. A contractionist credit policy was on the anvil. Other measures to speed up industrial growth were thought of.

The Congress Party Government has been promising since Independence to establish a system of public distribution which would make essential items of mass consumption, especially food, available at fair prices. Conceived of as a stable and permanent feature of the strategy to control prices of the essential commodities and to achieve equitable distribution, the public distribution system has been with us throughout the Plan period. And the distributive aspect of our food management policy has all along occupied the administrators' time and attention more than its production aspect, but has failed to make a significant impact on the price front. Its main concern has been to keep the people residing in politically volatile cities fed. This has been true of all political parties which have been in power in the States. The vocal urban sections have leaned heavily on the fair price shops. The agricultural labourers, more so the landless ones, and the rural artisans, who have to supplement their wages in kind during the harvest season with purchases in the open market, have remained tangentially reached by the system. The real value of their incomes has not been effectively protected against erosion caused by inflation.

State trading in essential commodities has been an edict of our planning since its very inception. It was adumbrated as a method of influencing the prices in open market through the state setting itself up as the largest single buyer and seller in the market with larger resources at its command to act as a countervailing force to speculative buying and selling by individual traders. But in actual practice it has been used as a relief agency, which has undertaken to sell foodgrains at prices below market prices in the scarcity areas and to run fair price shops through which the foodgrains are distributed at concessional prices.

The Government's experiment in the state take-over of the wholesale trade in wheat during the severe drought of 1973 ended in an "ignominious failure". "Extensive black-marketing by farmers and traders and the unwillingness of the Congress to compel rich farmers to sell to the Government at fixed prices undermined the take-over from the outset. In April 1974, the Government formally withdrew the scheme as part of its attempt to win back the support of rich farmers and traders."

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The principal agency for the implementation of the food policy in our country is the Food Corporation of India (FCI). It holds a commanding position in the distribution of foodgrains and stabilisation of prices. It manages the buffer-stock of foodgrains, has an important share in the procurement operations and undertakes the inter-State movements of foodgrains. At the behest of the Centre, it allocates foodgrains to the States for their public distribution system as well as for their Food-for-Work Programme. But when the prospect for procurement weakens, the axe falls on the food supplies to the States for the latter purpose. The former cannot be allowed to be disrupted for fear of working up unrest in the urban areas. There is the Government commitment to feed the vulnerable sections of the rural population by creating avenues of employment for them and paying them in food in lieu of cash but this is most workable during the lean months until the harvest arrivals start pouring in the market. The position of the drought-prone areas is the worst and hence they receive priority in the execution of the programme.

The key to the stabilisation of food prices or rather keeping price variations in respect of foodgrains within defined maximum and minimum limits is the building up of buffer-stocks and their operation through continuous purchase and sale over a wide scale. It should be known to the market that the Government would buy if prices of foodgrains tended to sag and would sell if they tended to rise at any time.

A buffer-stock is necessary not only to meet marked falls in production resulting from bad years but also to impart inter-seasonal stability to the price-level. A buffer-stock of the optimum size has a central place in the food management policy. In addition to evening out the supplies of foodgrains in an economy whose agriculture output is liable to year-to-year fluctuations due to the uncertain element of weather, it can act as a powerful deterrent to speculation by private traders in foodgrains.

In the terminology of the authors of the Second Plan, domestic commodity reserves, judiciously operated, are a no less important device for price stabilisation than the usual mechanism of building up and utilising foreign exchange reserves. If they are operated effectively and promptly, they can be a dependable safeguard against the inflationary pressures in a big developmental programme.

As for the optimum size of the buffer-stock for our economy, 20 per cent of the annual produce is considered sufficient to take care of the lean years. In other words, 15 million tonnes of foodgrains would do. But in the wake of the steps taken during the Fifth Plan to build up a national food security system at the end of June 1979, 21.4 million tonnes of them had got accumulated in the buffer-stock. While this enabled India to face the widespread drought of 1979 without food imports, its excess by 5 to 6 million tonnes which involved costs of procurement, storage and distribution added to inflation.

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Five to 10 per cent of this quantity was open to wastage. Its deployment as a resource for development via the Food-for-Work Programme was, however, a sensible solution.

To build up the buffer-stock, the FCI procures foodgrains from the market. The State governments have their own procurement drive amongst the growers to assist this build-up. The surplus states carry out aggressive purchase of foodgrains at the fixed prices so that the deficit states are fed. Methods of procurement vary as between states. Some states like Maharashtra have operated with success a system of monopoly procurement with a graduated levy on producers. Punjab has pursued a scheme of pre-emptive purchases, coupled with an efficient system of regulated markets, which has worked well. Bihar has endeavoured to procure, not by reaching out to its farmers but by imposing a levy on the rice mills, the number of which has dwindled considerably. Their places have been taken up by husking units, many of which are unlicensed.

The functioning of the FCI has been replete with structural inadequacies and other locunae. Its State branches have failed to reach the procurement targets. Bulk of the procurement was under the price-support operations. Direct purchases through the farmers and their co-operatives were negligible. The farmers continued to remain under the hold of the private traders. They fought shy of the established markets. Low procurement prices vis-a-vis current market sent prices farmers away, even those who were victims of distress sales. Financial constraints were there, no doubt but inadequate storage facilities deterred the FCI from larger reserves. Substantial amounts were ruined in crude storage and gobbled up by rodents. At times, the transport hurdle came in the way of moving foodgrains from the surplus to the deficit states.

It is to the credit of the public distribution system that in bad crop years food consumption of the urban poor has declined less than that of the rural poor, reflecting the greater availability of subsidised grains in the urban areas. Similarly, consumption declined less for the rural poor in the surplus states than in the deficit states, mirroring the favourable effect of the Green Revolution. Low prices of subsidised wheat have helped the urban poor. Likewise, low prices and greater availability from new high-yielding wheat technology have helped the rural poor. The relative price of grain was one of the most important variables affecting the real income of the poor and the relative distribution of income.

A striking change in the consumption habits of the people residing in the rice-growing states has been wrought by the public distribution system as also by the relative cheapness of wheat in the period following Independence. In these states there has been a pronounced shift from rice to wheat consumption—people who ate rice at both meals now eat rice at lunch and *chappatis* at night.

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A notable feature of the public distribution system has been increased off-takes from the ration shops. During the early 1950's releases from the system used to be barely 3 or 4 million tonnes per year and this sufficed not only to meet needs of the urban population but also to keep prices under control. But the releases have lately risen to the figure of 10 million tonnes per year. All the same, the impact of the system on the market prices remains erratic and feeble, if not unpredictable. It handles roughly 10 per cent of the net foodgrain output and as such the prices charged under it are not a decisive factor in governing prices in the open market. The off-take falls in those years when the crops are good and enough grain is available in the market. It rises in those years when they are bad and there is not enough grain in the market. The larger the gap between the open market and issue prices, the greater the pressure on the ration shops. Low procurement, a lower buffer-stock, slashing of the allotment of foodgrain (particularly, wheat) to the states for distribution through the network of fair price shops, and hence reduction in the quota to the ration card holders—this has been the practice over the years. Besides, the machinations of intermediates lead to the supply of inferior quality grain from the shops. The shops working mostly through private units rely on the Government initiative and action. This causes large fluctuations in the operation and extension of the system from year to year.

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2

Retarders of India's Economic Development

DETERMINANTS OF THE RATE OF GROWTH OF AN ECONOMY

The efficiency of an economy depends on its stock of capital, its technical efficiency, and the attitude to work of the labour that handles the available capital equipment. The stock of capital at the disposal of a community determines its level of production and its material well-being.

One major determinant of the rate of development of an economy, i.e., the speed at which it develops, is the proportion of the addition to its national income in each period which it saves and invests. What this proportion should be hinges on the rate of growth of population and the increment in national income. This increment in national income depends on a given increase in the stock of capital possessed by an economy. What the proportion of the addition to the national income of an economy will be in actual practice relies firstly, on the availability of domestic savings and secondly, on the expected inflow of external resources. The ratio of domestic savings to national income fluctuates directly with fluctuation in national income. It turns on the psychological and institutional factors. Social customs and habits, the distribution of incomes, the rates at which incomes of different classes go up and the efficacy of banking and other institutions for mobilising savings—all these play a part in determining the rates of saving attained in an economy. A higher savings propensity is to be expected in a period of relative price stability. The persistence of a high level of inflation adversely affects the saving capacity of the household sector as also the surplus generating capacity of the public sector including Government administration. But it improves the savings position of the private, non-Government corporate sector.

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inclusive of co-operatives, mainly because of a jump in the retained earnings of the private sector companies.

Investment connotes applying of resources to the building up of a stock of capital. It implies capital formation, i.e., making of additions to capital. Capital formation is a major determinant of economic growth. Labour is decidedly more productive, the more machinery and equipment it has to work with. Other things being equal, economic growth will be faster, the greater the share of output devoted to capital formation. But "this relationship is not as close as might be expected." This is due in large part to differences among countries in the rate of growth of complementary factors of production, including skilled labour and management.

The quantum of investment and the productivity of investment, as measured by the capital-output ratio, exercise an important influence on the over-all growth rate. The rate of growth of national income is denoted by *Investment Ratio* divided by *Capital-Output Ratio.*

However, there is no mechanical relationship between the amount of resources applied and the volume of capital formed out of them, for, as Myint shows, a lot rests on how and where they are invested, how far the capital goods serve the requirements of future production, how far the people value the products of the capital goods, and the like. According to a U.N. report, in the low-growth countries the magnitude of capital needed to produce a unit of product during 1960-67 was about three times that needed in the high-growth countries. The wide disparity was chiefly, of course, on account of the large proportion of investment resources that were devoted to infrastructure building at the earlier stages of their development.

The productivity of capital depends on :

(1) the amount of capital employed,

(2) the degree of technological advances associated with the capital investment,

(3) the efficiency with which the new types of equipment are handled,

(4) the quality of managerial and organisational skill brought to bear on the use of capital, and

(5) the extent to which socio-economic overheads are utilized.

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In the developed countries capital-output ratios are reasonably

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stable in the short run (and even medium run) because the complementary factors of production, including skilled labour and management; are already present or can be increased quickly in response to a growing demand. Furthermore, the technological change in them is not going to cause the capital-output ratio to alter dramatically in just a few years. In the developing countries, however, the situation is often quite different. Skilled labour and managerial personnel may not be available and cannot be trained quickly. If more capital is used by industries facing these bottlenecks, that capital is likely to be very productive. In other words, the managerial capital-output ratio in that industry is likely to be rather high. It will take more capital than planned to achieve a given output. That is, the same amount of capital will yield a lower-than-expected output.

If a country attempts to industrialize rapidly on the basis of highly capital-intensive techniques, the introduction of advanced technology into an economy where prevailing techniques are quite primitive can significantly affect the over-all level of technology in just a few years. This will tend to increase the average capital-output ratio, especially if there is a high rate of unused capacity.

New capital formation in the developing countries is likely to be unbalanced, weighted heavily at any given time towards one sector of the economy or another. This tendency, combined with a lack of attention to complimentary factors of production, means that the marginal capital-output ratio will be quite unpredictable. Furthermore, many capital goods will be used inefficiently or simply be idle.

The rate of economic development depends also on sectors or sub-sectors of the economy in which capital is used. If capital formation emphasizes socio-economic overhead capital, the capital-output ratio is likely to be very high in the short run, since these projects generally take a number of years to complete and the benefits may be indirect and spread out over a number of years. Over the long run, however, the availability of socio-economic overhead capital will tend to lower the capital-output ratios for direct capital formation in agriculture or manufacturing. A higher precedence accorded to housing will mean a less favourable relationship between investment and product.

The sectoral growth rates are determined by the demand for and supply of different commodities and services either through the market mechanism or as a result of specific public policies adopted to clear specific markets. The sectoral growth rates are thus subject to technical, behavioural and institutional constraints as well as policies of the government. A large part of the supply is determined by the investment decisions already made in the past; a large part of demand originates from the need for building up capacity for the future. There is also the foreign demand for the exports of a country and the supply of imports to it from abroad.

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Indiscriminate purchase of capital goods can be very wasteful, if no provision is made for repairs and spare parts, and for efficiently combining capital with other factors of production.

Finally, lack of industrial raw materials, e.g., coal, cement, petroleum, etc., has also been considered a major obstacle to development.

TRENDS IN THE RATE OF GROWTH OF THE INDIAN ECONOMY AND ITS DETERMINANTS

The record of growth of Indian economy over the last three decades has not been uniform. The actual over-all rate of growth achieved has varied between 3.2 per cent and 3.8 per cent per annum, as against the projected target of 5 to 7 per cent. Except in the First and the Fifth Plans the actual growth rate has been less than the rate specified. Between 1950-51 and 1978-79 the underlying trend rate of growth of national income was 3.5 per cent, of agricultural production 2.7 per cent and of industrial production 6.1. per cent. An unstable growth rate has affected the average level of performance not just arithmetically but also through the effects of instability on distribution of income, price expectations, the motivation to invest, innovate and take risk as well as on the volume of public savings.

There have been significant fluctuations in the growth rate for a variety of reasons : natural causes, international developments, shortfall in investment, rising capital-output ratio (i.e., decreasing capital productivity) and deficiency in the implementation of the Plans. Shortfalls in income generation via their impact on domestic savings have led to shortfalls in investment. The main reason for this was that the realized capital-output ratio has been much higher than expected.

Our inability to maintain public investment at the targeted levels has led to a deficiency in investment, which in turn has led to a shortfall in the growth rate. This inability was due principally to (1) inadequate return from the past investment by the public sector in industry, power, irrigation and transport; (2) shortfall in the targeted level of budgetary savings, and (3) the actual capital-output ratio being higher than anticipated, particularly in mining and manufacturing.

The successive Five-Year Plans have tended to assume higher levels of savings and investment in real terms and hence, a much higher rate of growth than warranted by objective considerations. As a result, there has been a growing gap between Plan projections and actual achievements in practically all sectors of the economy.

During the last three decades our real national income has increased by 200 per cent, whereas our population has increased by 100 per cent. As a result, our per capita real income has increased by

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50 per cent, which works out at 1.3 per cent per annum. During the 1950's per capita real national income has increased at the rate of 1.8 per cent per annum. This had come down sharply to 0.9 per cent per annum during the 1970's. Over the period Government expenditure (of the Centre and the States) had gone up from 10 per cent of the GNP, to 29 per cent of the GNP and the net capital formation rate had gone up from 7 per cent of the national income to 19 per cent of the national income.

The shortfall in the growth of national income meant a corresponding shortfall in the targeted level of per capita income.

Deteriorating Capital-Output Ratio

The factors which have caused deterioration in the capital-output ratio are as follows :

(1) Changes in the composition of investment (e.g., increased emphasis on chemical industries and decreased emphasis on engineering industries),

(2) Rising real costs in sectors like irrigation and mineral development owing to diminishing returns,

(3) Exploitation of easier opportunities in the principal sectors of agriculture and industry* in the earlier Plans and that of more difficult ones in the later Plans,

(4) Inefficiency in the management and utilization of assets in the railways, power and irrigation, and

(5) Lack of adequate synchronization in the implementation of inter-linked projects.

Domestic Savings

The high rate of capital formation that we have now achieved is financed largely by domestic savings. The Reserve Bank of India estimates of domestic savings show that the domestic saving rate improved from 6.6 per cent in the First Plan to 8.5 per cent of the NDP at market prices during the Second Plan. It further rose to 10 per cent during the Third Plan but during the period of the Annual Plans domestic savings fell to 8.4 per cent. It did recover during the Fourth Plan and was 11.4 per cent, on an average, during this period. Estimates for the period 1974-75 to 1978-79 indicate that the rate of domestic savings had increased. The figures for 1977-78, 1978-79 and 1979-80 are 18.8, 20.8 and 18.9 respectively.

*As the potentiality of growth from sources like high-yielding varieties of seeds and increased use of fertilizer, idle industrial capacity and projects nearing completion has got exhausted, more investment has been required to achieve the same increment in output. Similarly, wherever the efficiency of investment has proved to be lower than expected, a larger volume of investment has been needed to achieve the proposed growth rates.

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The most buoyant element in domestic savings has been the savings of the household sector. The growing "fungibility" of savings is reflected in the increase in the share of savings accumulated by households from 10 per cent of net savings in 1950-51 to 33 per cent in 1978-79.

Expansion of rural banking has led to some increase in savings, especially in areas where agricultural production is increasing rapidly by providing a convenient mode of keeping the saved-up portion of one's income in a safe and liquid form. This is quite apart from the fact that bank deposits act as a substitute for currency hoards, thereby enabling a larger degree of control to be exercised on the disposition of rural savings. In spite of this, savings mobilised from the rural sector through financial institutions and instruments remain relatively low.

Public sector and corporate savings have grown much more slowly than anticipated. The market for corporate issues continues to remain very narrow. Net household savings in the form of corporate shares and debentures which amounted to 8 per cent of savings in 1950-51 have tended to stagnate even in nominal terms. In 1977-78 they amounted to only 2.1 per cent of net savings. In consequence, it has become increasingly difficult to maintain the tempo of development in the private corporate sector, though the deficiency has been covered to a considerable degree by the growth of development banking.

Investment

Between 1960-61 and 1972-73 the rate of gross investment fluctuated around 17 per cent. Shortfalls in the targeted growth rates were most substantial during this period. Fall in capital formation (co-terminus with investment) was reflected in lower levels of con struction activity and depletion of stocks. Investment in inventories fluctuated most.

A Five-Year Plan regulates the level of public sector investment directly and that of private sector investment indirectly. Investment estimates for the private sector continue to be "largely shots in the dark" and "at best indicate only the broad orders of magnitude".

The level of public investment is determined largely by Plan expenditure. Over the decades, Plan expenditure has generally exceeded Plan provision in nominal terms but fallen short in real terms. This has been owing to the fact that there has been no built-in mechanism to protect public sector resources and investment against inflation.

Gross fixed investment in the public sector as a percentage of gross domestic product rose from 2.3 per cent in 1950-51 to 8.5 per cent by the end of the Third Plan. Thereafter, the rate declined

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sharply for several years and started rising only in recent years. It was 9.2 per cent in 1978-79. The sharp decline was probably an outcome of the preoccupation of public policies with short-term stabilization in the wake of acute inflationary pressures, the uncertain outlook for India's external payments and the slow growth in public sector savings.

As the public sector has invested a major part of its available resources in irrigation, basic industries and infrastuctural development, which had extensive forward and backward linkages, the growth of the rest of the economy has got closely linked to the growth of the public sector.

As a matter of fact, in a mixed economy public investment in infrastructure and key industries is a pre-condition for development in the private sector. The growth and profitability of several private sector enterprises depend on orders from public activity and expansion in public investment means expansion in public activity.

A drop in public investment has induced a drop in private investment, the Government being the main buyer of certain products of the private sector (approximately half of cement, one-third of paper and half or more of steel, aluminium and copper).

Although there was a perceptible fall in the rate of saving during 1979-80, the rate of capital formation was not greatly affected. This was because, for the first time in four years, there was a net inflow of foreign resources, although marginal, at 0.5 percentage point in relation to the NNP at market prices. This compensated to some extent for the decline in domestic savings. For four successive years 1975-76 through 1978-79 the economy experienced an outflow of resources ranging from 0.2 to 1.8 percentage points in relation to the NNP, which implied that the rate of saving outpaced the rate of domestic capital formation. Because of the additive role that the foreign resources inflow played in the investment activity during 1979-80, the fall in the rate of capital formation (1.0 percentage point) was much less than the fall in the rate of saving (1.1 percentage points). Available indicators suggest that the fall in the aggregate investment may be attributable to a shrinkage both in inventory accumulation and net fixed assets formation.

We seem to have opted for a moderate increase in our standard of living in the near future with relatively small additions to capital equipment as against a substantially higher standard of living perhaps for the next generation at the expense of continued austerity and privation to the present generation in the interest of rapid capital formation. Sustained austerity rather than any excessive degree of privation and suffering has been considered desirable for stepping up capital formation in India.

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From the Table given below it would be evident that the proportion of external resources has tended to fluctuate but is higher at the end. Deficit financing has been used on a larger scale. Resort to additional taxation has been on an enormous scale. Much larger reliance has been placed on indirect taxes. The ratio of direct to indirect taxes which was 35 : 65 in 1950-51 stood at 20 : 80 in 1974-75. The Indian tax system had become gradually more regressive.

Pattern of Financing

(In percentage)

Sources	1st Plan	2nd Plan	3rd Plan	Annual Plans	4th Plan (1961-74)	5th Plan (1974-75)
1. Budgetary sources (Savings of Public authorities* and Internal Private Savings**	73.4	55.7	58.5	54.0	74.3	81.5
2. External Assistance	9.6	23.7	28.2	35.9	12.9	14.2
3. Deficit Financing	17.0	20.6	18.2	10.1	12.8	3.4

* including additional taxation receipts.
** including loans from the public.

Net aid as a percentage of Plan expenditure has risen from 1.9 per cent in the First Plan to 33.9 per cent in the Annual Plan period and thereafter declined to around 9.0 per cent in the Fifth Plan. The burden of debt services as a percentage of exports has risen from less than 1 per cent in the First Plan to a peak of 27 per cent in the Fourth Plan; thereafter because of the rapid rise in export earnings, the percentage declined to 15.4 per cent in 1978-79.

The Foreign Exchange Constraint

Wide-ranging advances in industry during the Plan period have enabled India to become self-reliant in many critical areas. Today the bulk of the equipment required for industrial and infrastructural development is produced within the country. Besides, we have built up capacity for project consultancy, design engineering and project implementation to such a level that we are in a position to export these services. Our reduced dependence on the imports of equipment supplies

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has enabled us to maintain the tempo of investment in critical sectors like power despite the oil price increase.

Our vulnerability to international pressures and disturbances has been reduced to a substantial extent. The economy has achieved a greater degree of resilience to cope with disturbances in the international economy.

All this notwithstanding, the possibility of foreign exchange becoming a constraint in promoting development has been recognized in our plans because of the following reasons : India's terms of trade have worsened. Its trade deficit has been rising consequent to a spurt in the prices of the critical items of its imports, such as petroleum, crude, and products and their derivatives like fertilizers, besides steel, cement, aluminium, paper and even sugar as well as increasing imports of items like man-made fibres, edible oils and chemicals.

The oil imports now account for more than 70 per cent of our export earnings and continue to trigger inflation. The Assam agitation caused a loss of approximately 4 million tonnes of crude a year, which was made up by imports. India's own production of crude is 14 million tonnes, while its imports are 16 million tonnes.

In 1979-80 we imported Rs. 400 crores worth of steel. These imports are allowed on the basis of actual users' licence to keep ongoing and priority projects running. Half of our fertilizer requirement is being imported at heavy costs. We are also importing plants, in many cases second-hand plants which others are discarding, for our cement, sugar and paper industries. We started manufacturing plants for these industries with initial collaboration with, and designs from, other countries, but have not been continually upgrading and improving upon them with our own R & D.

During the last few years, edible oil imports have taken the place of cereal imports of the 1960's and the early 1970's. During 1979-80 the Central Government had to import for the first time in several years 2,00,000 tonnes of sugar at a cost of around Rs 100 crores. These imports have a conspicuous impact on and cut deeply into our external resources.

Other contributory factors for our trade deficit are : Protectionism and quota restrictions of the industrialized countries and fall in international prices of some of India's major imports like coffee, leather and tobacco leading to reduced exports.

Increasing trade deficit implies declining foreign currency assets of the country. At this rate of drawing down, our foreign exchange reserves to finance trade deficit (excess of imports over exports) will not be available after the first two years of the Sixth Plan. Shortage of foreign exchange might create an economic crisis. We should also note that an increase in import costs lends support to the cost-push elements in inflation.

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There is growing uncertainty of the supply and other prices of imported oil because the international market is volatile. As the Sixth Plan surmises, "The world economy is in a much more disturbed state since the mid-seventies than at any time in the past three decades and there is an atmosphere of confrontation rather than cooperation in international economic relations". The international environment is highly inflationary. The outlook for the country's terms of trade and external payments is unfavourable. We might also have to cope with sudden shortages in the availability of the critical items. In other words, we have to reckon with the possibility of the requisite supply of imported oil simply not being available or even available steadily, even if we can find ways and means to pay for it. This could disrupt the very implementation of our Plan. Regrettably, our development strategy has not so far acquired enough in-built flexibility to cope with the uncertainty factor.

The Inflation Barrier

Price rise has to be taken into account while estimating the rate of growth of per capita real income. The income per capita in real terms (i.e., after making allowance for the factor of inflation) rose at the annual average rate of 1.7 per cent during the 1950's, but during the 1960's the rate of growth dropped precipitously to 0.8 per cent. After 1970 there has actually been a drop in per capita income at constant prices. In real terms and at 1960-61 prices the per capita income which was Rs 348.6 in 1970-71 declined to Rs 346 in 1971-72, and to Rs 333 in 1972-73. This means that the real income per capita was lower in 1972-73 than it was in 1964-65 for which the corresponding figure was Rs 325.

When prices rise, project costs rise and the magnitude of additional resource mobilization in nominal terms has to be higher. Moreover, under a regime of continuously rising prices the resources that are mobilized have to be allocated mostly to finance the on-going schemes so that very few new schemes are taken up. Such unplanned cuts in development outlays disrupt the Plan priorities.

Faulty Execution

During the last three decades of our planning we have proved to be "better talkers than doers, better planners than executors". Our concern for speed, economy and efficiency has not been as pervasive as it ought to be. Despite larger Plan outlays, developments have often fallen short of targets.

Whilst the time required to build and commission major projects in industry, power and irrigation was often underestimated, the efficiency of operating them was often overestimated.

It takes about 4 to 5 years to commission a new cement unit. It takes several years to expand capacity and to bring it to full

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production in such industries as fertilizers and fertilizer raw materials, metals (e.g., mild and alloy steel and copper), petroleum products, and machinery (e.g., chemical equipment and transport equipment).

The balancing of the two types of projects—quick-yielding and long-maturing—has been impeded partly by the larger requirements of the on-going projects and partly by the fact that energy and transport have fallen in the second type of projects.

A lag (in respect of construction or of bringing the project into timely fruition) in one item of the investment profile or package has affected the pace of work on its other items.

Repetto has very succinctly elaborated the failures of Indian planning at both decision-making and implementation stages. According to him, projects were consistently delayed by the prolonged process of decision-making, which often took longer than actual implementation. Secondly, little allowance was made for adverse shocks to the economy or for the cost and schedule overruns. Resources were committed to larger projects with long gestation periods often on the basis of tentative data on costs and demand levels, schedules, etc. This reduced considerably the flexibility required in the planning mechanism to adjust to changing circumstances. Delays in the completion of infrastructure projects and in key import-substituting or export-promoting sectors increased the pressure on the balance of payments and domestic resources. This pressure was further reinforced by adherence to outmoded targets and lack of capability to rephase and readjust projects and programmes with sufficient speed. This was sought to be repaired by a heavy reliance on direct controls over foreign exchange payments, investment allocations and critical materials in order to increase the "bite" of readjustment policies and to concentrate cuts on sectors which had a low social priority but their operation proved ever more difficult. The task of apportioning inadequate resources among increasingly numerous claimants contributed to delay. Market prices and responses were distorted. Imbalances arose.

Thirdly, there was frequent revision of project plans after execution had begun, entailing considerable loss of time. The effect of this was an increase in the gestation periods for projects where the normal gestation lags were themselves large, an increase in time taken to complete projects and an increase in short-run costs and hence a fall in profits.

Fourthly, there was delay in procurement, encompassing land acquisition, contract award and approval, import licensing and foreign exchange release and procurement of scarce domestic materials.

Finally, there was inadequate control over schedule in both pre-construction and construction phases of the new projects.

A great deal of the extra costs of construction of plants and delays

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in project commissioning stemmed from the problems of negotiating foreign aid, delays in sanctioning the aid, extracts of commodity imports from high-cost donor countries owing to the country-tied project aid. Besides, substantial backlogs in the utilization of available foreign resources have been reported. The system by which foreign aid was allocated and administered was at fault. Drawing up and approving of the worthwhile projects and keeping them going at a rate sufficient to use up aid turned out to be extremely difficult. The procedure was highly complex and necessitated coordination of the work of a number of Government ministries and departments. It caused delays that added substantially to the costs of the projects (i.e., the indirect costs of the use of foreign resources).

The Population Barrier

Indian population has nearly doubled since 1947. In 1951 it was predicted that in 1981 the total population would be 520 million, whereas it is 683.8 million now. The seventies have added 136 million as against 109 million added by the sixties. The only crumb of comfort in the 1981 Population Census findings is that the decennial rate of growth declined by 0.05 per cent over the previous ten years. It was 2.47 per cent per annum as against 2.52 per cent per annum during the sixties. But "given the rise in absolute numbers, this promises no relief from increasingly intensifying problems of overpopulation, threatening even more drastically to wipe out modest gains in industry and agriculture, and subjecting every conceivable human facility to considerably greater strain".

Between 1960-61 and 1973-74 national income (at 1960-61 prices rose by 48.7 per cent but on account of the rise in population by 33.6 per cent, per capita income rose by only 11.3 per cent. Thus the annual growth rate of national income worked out to be 3.3 per cent (compound) and of per capita income to be less than 1 per cent during this period of fourteen years.

Let us comprehend the multiplier factor operating on a vastly expanded base which makes the population problem infinitely more intractable, and total development a still more distant dream, each year. The annual addition of nearly 13.57 million to our population represents a large absolute increase in terms of the resources required to maintain even the existing standards of living of the people. Where population growth is rapid, a relatively high rate of investment is necessary just to keep per capita income constant. It encourages the absorption of additional income into consumption spending. This, in turn, slows down the rate of saving.

A high and increasing population increases the burden of the care of the young through nutrition, medical care, public health and education and, above all, housing accommodation. For every 1 million who are added to our population every year, 9,760 more schools, 28,690 more school teachers, 1,93,000 more houses, 3,07,600

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more jobs, 9.6 lakh quintals more food and 1.46 crore metres more cloth will be required (based on a calculation by S.N. Agarwala).

Per capita product in India is undoubtedly lower than it would have been, had population been growing more slowly. This is for three reasons, assigned by Cassen :

1. If fertility had been lower for a long period, the labour force would have been little smaller in size but the number of people it had to support would have been much smaller.

2. The amount of capital per worker would have been greater simply by reason of the smaller number of workers.

3. The capital itself would have been more productive—the effect of diminishing returns in agriculture was equivalent to a lower average productivity of capital.

All of these effects are likely to become more and more powerful as time goes on.

Population growth in India has helped to make difficult any substantial progress in material living conditions for the majority of Indians. It works to worsen the distribution of incomes. If the poor have more children than the rich and their children, having a disadvantageous start in life, are more likely to be themselves poorer than the children of higher income groups, that by itself constitutes a mechanism for worsening income distribution.

The upshot of this is that the population expansion is faster than the trickling-down process, and therefore, absolute poverty is perpetuated. But, as Cassen asserts, "Rapid population growth is not a time-bomb but a tread-mill. It postpones the day when most people in India can enjoy an agreeable life, but that day could be brought nearer or postponed still further by many other things besides demographic change". In other words, Cassen is of the opinion that a better economic record could have been achieved if different policies had been adopted or even if the policies chosen had been pursued more effectively.

Slow Rise in Per Capita Consumption

Allowing for the rising share of investment in national income, rise in per capita consumption was 1.1 per cent per annum between 1950-51 and 1978-79, that is, nearly 46 per cent in all. If the rate of growth of national output is slow, the rate of improvement in consumption standards is bound to be correspondingly low.

Consumption standards were badly effected by two severe droughts (one of the mid-sixties, and the other of the early seventies).

In 1971 India's population was 538.2 million, while the foodgrain output was 108.4 million tonnes, thereby yielding a per capita

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availability of foodgrains of 201.41 kgs. In 1980 the foodgrain production was 13.5 million tonnes against a population of 680 million, yielding a per capita availability of foodgrains of 198.53 kgs.

In quantitative terms the common man had less of cereals, edible oils, sugar and other necessities of life than before. At present the diet is poor and improving very slightly, if at all. It is especially poor in protective foods. Nearly one-third of our population (slightly more in the urban areas) suffers from either calorie or protein deficiency or both.

The Club of Rome has stated in an assessment that the average Indian diet meets only two-thirds of a human body's protein needs and that 40 per cent of the rural and 50 per cent of the urban populace are chronically malnourished.

However, public expenditure on social services like health, education and water supply has brought about an improvement in the quality of life of the people at large.

Growing Poverty

According to National Sample Survey data, the number of the poor increased from 172 million in 1960-61 to 220 million in 1964-65; from 245 million in 1970-71 to 264 million in 1973-74. In 1977-78, the total number of the poor (taking Rs 60 consumption expenditure per month per person as the poverty line) was 290 million. It is estimated that each year another 5 million are added to this already staggering figure. Fifty-one per cent of the population in the rural areas and 38 per cent of the population in the urban areas are below the poverty line.

This has been pronounced to be a consequence of "our inability to restructure the distribution of assets and to provide a sufficiency of employment for a growing work force"—the two sources of income.

Lack of Employment Opportunities

Development is a process of utilising more and more effectively the resources, material and human, of the community in furtherance of accepted ends.

The tempo of economic activity in India has been inadequate to provide productive employment to all and to bring about a significant improvement in the standards of living of the people. Employment opportunities in the country have not been increasing *pari passu* with the increase in labour force.

Full participation of our vast human resources and youth power in development has not so far been secured because the pattern and extent of investment in the different sectors of our economy could not be readjusted.

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The general pattern of manpower deployment is such that only 10 to 11 per cent of the increase in the labour force finds employment in the organised sector, whilst the rest drift into part-time employment in the rural areas or the informal sector of urban industry and trade, or becomes chronically unemployed.

The backlog of unemployment has been steadily rising. It was 5.3 million at the end of the First Plan, 7.1 million at the end of the Second, 9.6 million at the end of the Third, 17.1 million at the end of the Fourth and 22.1 million at the end of the Fifth.

The NSS data for 1977-78 revealed that on a typical day about 21 million persons were seeking and available for work but were unable to find it.

The Rural Labour Enquiry has shown that between 1964-65 and 1974-75 the number of days for which employment was available for rural labourers had declined by 10 per cent for men, 7.5 per cent for women and 5 per cent for children. The data on average earnings from these enquiries, when corrected for inflation, also disclosed a decline.

According to the NSS 32nd Round in 1977-78, 12.8 million man-years out of a total of 16.9 million man-years were without daily employment in the rural areas.

While the weaker sections of the rural society have benefited from development and particularly from the opportunities for employment, they have not been able to build up their assets or resources to a point where the latter could serve as an anti-poverty mechanism. The low income share of the poor is owing to their "work integration into the process of creation of factor incomes, and their low levels of ownership of productive assets, land, other physical, capital and human capital".

The figures for the number of persons on the live registers of the employment exchanges showed an increase from 1.6 million in 1960 to 12.7 million in 1978. The number of job-seekers on the live registers of employment exchanges had crossed 16 million by the end of 1980. The high percentage of educated unemployed showed that the stereotyped schemes for rural or other employment did not provide a reasonable answer to this problem. The public sector's capacity to absorb more of the educated unemployed in the fields of education, public health and other social services was not limitless. The moral of this was that unless there was factor growth in industry in both public and private sectors, jobs for the educated were bound to continue to diminish.

III. FACTORS RETARDING INDIAN AGRICULTURE

Agriculture is the largest single determinant of the income level in India. It is the backbone of the economy. Agricultural production

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occupies a predominant place in the national product. There is close association between the agricultural performance and the over-all growth rate of the country. Prosperity of agriculture largely implies that of the whole economy. The success of a Five-Year Plan hinges, above all, on the performance of the agricultural sector. The rise in our real national income is largely contingent on agricultural growth.

The significance of agriculture in the Indian economy arises also from the fact that it is the source of supply of raw materials to our leading industries, e.g., sugar, tea, cotton and jute textiles, hydrogenated oils, food products, soap, etc., which together account for nearly half of the income generated in the manufacturing sector.

The pace of development in the agricultural sector sets a limit to the growth of industry, of exports, and of the economy as a whole and constitutes a major condition for achieving economic and social stability and improving the levels of living and nutrition for the mass of people.

Fluctuations in the aggregate national income have so far been a reflection of the erratic behaviour of agriculture. A slow rate of growth in agricultural production has depressed the rate of growth of the economy. Until recently it has also led to an alarming increase in our dependence on imports of foodgrains and other agricultural commodities.

Agricultural prices being the king-pin of the price structure, fluctuations in the agricultural output can give rise to a price spiral not easily controllable by demand-management policies once it gets started, whereas a reduction in the amplitude of these fluctuations can contribute substantially of the price level.

Although agriculture (including allied occupations) contributes a high share of the national income of India, yet its share has been decreasing steadily. Upto 1960-61 it was about 52 per cent. In 1973-74 it was nearly 50 per cent. In 1977-78 it was 42.50 per cent, whereas the share of manufacturing was 17.10 per cent. The shares of mining, electricity, construction, transport and services were 1.37, 1.71, 5.74, 4.97, and 26.61 per cent respectively.

This is corroborated by theory, which states that the process of economic development characteristically involves an increase in the proportion of the total national product originating outside agriculture. As per capita output rises, the output of agriculture rises less in proportion to total national output, while the output of industry, and other non-agricultural parts of the economy generally rises faster than the over-all output.

We should also note that growth of value added in agriculture is slower to the extent that the proportion of material inputs in the

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total agricultural production rises, as it has been doing since the mid-sixties.

Rate of Growth of Agricultural Output

Agricultural production in India has followed an erratic trend. The rate of increase of agricultural production in India during 1965-66 to 1980-81 dropped to around 2.2 per cent per annum, as against the growth rate of 3.2 per cent per annum recorded during 1951-52 to 1964-65. This was due to two reasons: Firstly, the annual rate of increase in cultivated area, which was 1.7 per cent during 1951-52 to 1964-65, dropped sharply to 0.6 per cent during 1965-66 to 1980-81. As much as half of the country's geographical area is already under the plough. Therefore, the scope for extending the area under cultivation is becoming smaller and smaller with each passing decade. Secondly, the pace of improvement in agricultural productivity, i.e., yield per hectare, consequent upon multiple cropping and reliance on irrigation, fertilizers, high yielding varieties (HYVs), etc., rose only nominally from 1.4 per cent per annum during 1951-52 to 1964-65 to 1.5 per cent per annum during 1965-66 to 1980-81.

Foodgrains production stood at 47 million tonnes in 1950-51 and at 118 million tonnes in 1978-79. It has stabilized at 120 million tonnes, notwithstanding the vagaries of weather. The drop in foodgrains production has never exceeded 17 million tonnes, or just about 20 per cent of the total, from one year to another in the last twenty-five years. The recent changes in the agricultural matrices have led to a greater stability in the output of several crops.

The rapid strides made by Indian agriculture cannot be denied. The drought of 1979-80, billed as the worst in the century, could be contained to such an extent that no food imports were necessary. From being an importer of 10.4 million tonnes of foodgrains (including 7.9 million tonnes of rice) during the lean year of 1966, India exported rice worth Rs 22 crores in 1974-75, Rs 13 crores in 1975-76, Rs 6 crore in 1976-77 and Rs 12 crore in 1977-78.

Between 1961-62 and 1977-78 the growth rate of foodgrains output was of the order of 3.2 per cent per annum, the contribution of area being 0.6 per cent and that of yield being 2.0 per cent per annum. The trend of foodgrains output followed more or less the same pattern as agricultural production as a whole. During the same period non-foodgrains showed an average growth rate of 2.7 per cent per annum, increase in area accounting for 1.1 per cent and that in yield 1.0 per cent per annum.

Although agricultural productivity has been steadily improving in India, yet it is at present below the world average in almost all crops. The average foodgrain yield per hectare in India is around 600 to 700 kg. which is very low compared to what it is in the USA or Mexico.

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The Green Revolution

Between 1950-51 and 1960-61 foodgrains productivity increased by 30 per cent but non-foodgrains productivity increased by 10 per cent only. 1965-66 and 1966-67 were severe drought years. Between 1967-68 and 1977-78 both foodgrains productivity and non-foodgrains productivity increased by 36 per cent.

Rise in output of rice and wheat has largely determined the rise in agricultural output in India. But, except in the case of wheat, there has been no dramatic increase in the yields of other crops. Even the growth rate of wheat production seems to have reached a plateau. Further growth in wheat production will be much slower than in the immediate past unless there is a new breakthrough. Coarse grains too have displayed but marginal improvement during the period of study.

In spite of sharp rise in their prices the production of oilseeds and pulses has been almost stagnant. Higher average yields of land in growing wheat and paddy have explained primarily why land has been increasingly diverted from oilseeds and pulses. A second explanation has been the neglect of these crops by the State governments in their seed production programmes.

Production of pulses in India has remained more or less static at 12 million tonnes a year for quite some time. The demand for pulses, however, is rising sharply with the rise in population. Since pulses are the chief source of protein for the poor a breakthrough in thier production is considered an urgent necessity.

Continued diversion of land to highly water-intensive crops, such as paddy and sugarcane has deprived other crops of their requirements of water and contributed to their low productivity. Excessive use of water is likely to cause problems of salinity and alkalinity in the long run.

With advances in irrigation and development of short-duration high-yielding varieties (*HYV*s) and hybrids, the technological dimensions in agriculture have become the prime factor in the development of an optimum system of multiple cropping.

All the same, Hanumantha Rao's study has brought out that technological changes account for only 27 to 40 per cent of agricultural growth achieved after the mid-sixties.

Clearly discernible are striking variations in the growth rates of agricultural production achieved in different regions of the country. A number of States have registered increases in production appreciably higher than the national average. The rate of yield improvement in several States has also been higher in comparison with the all-India average.

Punjab with 3.5 per cent of the cultivated area produces 10 per

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cent of the country's foodgrains. During the last fourteen years (1967-81) food production in that State has risen by 75 per cent, while in Kerala it has exhibited a total increase of less than 1 per cent and in Orissa, 4 per cent. Haryana, Maharashtra, Rajasthan and Gujarat have recorded increases of between 40 per cent and 45 per cent. Together with Punjab these four states have accounted for 30 per cent of the nation's total food output. All the other states together have contributed 70 per cent and have each been near or well below the all-India figure of 28 per cent output increase since 1967. The eastern zone states, viz., Assam, Bihar and West Bengal have registered very low increases of 15 to 18 per cent, Orissa 4 per cent. Uttar Pradesh and southern states viz., Andhra Pradesh, Tamil Nadu and Karnataka, between 25 per cent and 28 per cent, close to the national average, while Madhya Pradesh has trailed behind at a bare 12 per cent.

The Government has concentrated its efforts on the most promising areas and neglected the rest of the country where the task of getting agriculture moving seemed formidable. This has culminated in glaring regional imbalances. A revealing study by Y.K. Alagh and G.S. Bhalla discloses that between 1963 and 1973—the peak period of the Green Revolution, only 50 districts comprising less than 20 per cent of the cultivated area registered a growth rate of more than 4.5 per cent. Against this, 71 districts registered negative growth rates and 12 slow growth of between 0 per cent and 1.5 per cent. The last two categories together accounted for nearly half of the cultivated area in the country.

At least half the country has remained completely outside the pale of the Green Revolution and another one-fourth has derived only limited benefits from it. At best the new agricultural strategy has made worthwhile impact only on one-fourth of the cultivated area. Also, there are indications that the moderate momentum gained during the last twenty years of the Green Revolution is petering off.

Average yield levels in most regions and farming systems are below what can be attained with known technology. We still need to extend modern technology to new areas, develop a technology for ecologically handicapped regions and utilise fully our irrigation potential of the rainfed areas.

In 1977-78 the value of agricultural output per head of rural population ranged between Rs 888 in Rajasthan and Rs 3,361 in Punjab. The geographical spread of modern agriculture had undoubtedly extended during the planning era; yet we had a long way to go before the glaring regional disparities were reduced.

Under-pinning of the production effort under the new agrarian technology by assured minimum prices assumes a special significance, firstly, because an increasing proportion of the cultivation costs are basically cash costs and, secondly, because improved cultivation requires a larger capital investment than traditional agriculture. To

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illustrate, investment in durable capital per acre is as much as seven times greater on modern farms, as compared to traditional farms. It increases directly with farm size under the new technology.

However, the Agricultural Prices Commission has made it abundantly clear that prices can, at best, provide a stimulus to further investment for improvement of farm organisation when technological factors are present because, in their opinion, incentive prices are a necessary part but not a sufficient condition for rendering agriculture more progressive and productive.

The impact of the new agrarian technology on the economy of agricultural labour has been varied. In certain areas, with greater intensity of cropping, agricultural income has tended to by-pass the sub-marginal cultivator and agricultural labourer. In several areas these groups have also suffered from a growing disinclination on the part of the bigger farmers to lease out their lands.

Hanumantha Rao's discursive study reveals that technological changes as such have a hand in widening the disparities in income between different regions, between small and large farms and between landowners on the one hand, and landless labourers and tenants on the other. In absolute terms, however, the gains from technological change have been shared by all sections. This is indicated by the rise in real wages and employment and in incomes of small farmers in regions experiencing technological change. However, sale of land by large landowners and sub-division of their holdings have had an opposite tendency of lowering their incomes from agriculture. Owing to the shortfalls in output resulting from the slow growth of public irrigation (which has a greater potential for reducing the regional imbalances as well as fluctuations in output over time) the uncertainties of supplies have risen in the food deficit regions resulting in unrest and tension, particularly in the urban areas.

The supply of farm labour in the high-growth pockets has been lagging behind the demand for it despite immigration of labour.

Although the rural upper classes are now in a stronger position, and although big landlords have sustained some loss of power, the movement of Indian agriculture towards capitalist modes of production is going ahead at an extremely slow pace. There is definitely some progress in this direction, but it is difficult to measure the rate of change with any quantitative precision as statistics are incomplete. Considerable variation in local conditions and great complexity of social relationships make it difficult for anybody to judge exactly how the social and economic conditions of different groups of people in the countryside have changed as a sequel to the agrarian reforms.

The favourable dent of rural electrification and the HYVs with supporting programmes on output and employment potential has been confirmed by different studies in different parts of India.

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The dent of farm mechanisation on human labour employment varies under different situations depending on the type of farming, cropping pattern, intensity of cropping area under irrigation, HYVs, multiple cropping, and so on.

The excellence of any system of rural development is to be judged by the farmers' response to it. Recent technological advance and the eagerness to adopt them on a large-scale have materially improved the outlook for agriculture in India.

Limitations of the Fertiliser-Seed-Water Technology

Increased use of fertilisers has contributed to the solid increase in agricultural output. But their average annual consumption per hectare is 30 kg in India, whilst it is 122 kg for the developed countries. For example, Japan uses 20 times as much nutrient per hactare as India.

If we aim at augmenting productivity and meeting the requirement of intensive agriculture, then it will be imperative for us to substantially step up the consumption of chemical fertilisers. Even so, the fertiliser promotion policy should emphasise optimisation rather than maximisation of the dosage to enable extensive use at a lower dose to cover large farming areas and farming population. Furthermore, it should lessen spatial concentration and promote fertiliser consumption in the areas of low growth including a large number of irrigated districts and in the areas where the distribution network is feeble and communication inadequate. Finally, special attention should be paid to make fertilisers available at reasonable prices and at the proper time.

The HYVs perform 1½ times to 30 times better than the traditional varieties. But the successful hybrid seeds developed for a few crops (wheat, jowar, maize, bajra, castor and cotton) account for hardly one-fifth of our total agricultural production. We have had only limited success in respect of rice, our most important crop. In respect of other crops we have but some improved varieties—not hybrid varieties—that give output increases of only 10 to 20 per cent over the traditional varieties.

After the "initial euphoria of the Green Revolution", farmers and agricultural scientists have become aware that further increases in yields may not be easy, and that an intensive use of the "elitist circle" of HYVs without proper crop rotation on the same plot of land may, in fact, lead to premature depletion of the soil.

Indiscriminate release of the HYVs have generated their own problems. The exotic Mexican dwarf varieties of wheat have proved susceptible to diseases like rust, resulting in a decline of up to 25 per cent in yield in parts of Punjab and Haryana.

Even in wheat, maize, bajra, and jowar in respect of which the

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HYVs have developed fast progress has been uneven. Very small numbers of farmers have been able to grow the new seeds on their entire land. They have had to be content with reservation of only a part of their farms for these expensive varieties. Besides, the new varieties in many other crops (chiefly rice) have not as yet caught on as farmers and consumers in some areas have preferred improved brands of the traditional seeds. The scope of growth in these areas will be very limited until such new varieties are evolved as are satisfying to both parties.

The new varieties need not only a capacity on the part of the users to invest but also a capacity to sustain losses. Many a small farmer in our country tends to discard the new variety after the failure of the first experiment has landed him in debt.

There is need for evolving an appropriate technology for our agriculture. Research conducted at present by us is deficient. An example can be furnished. For a rice crop of $ 8.5 billion we have been spending $ 3 billion, that is 0.035 per cent of the crop value on research and that too mostly on rice grown in irrigated land, whereas nearly two-thirds of the rice land in the country is unirrigated. Apart from the vast untapped potential in rice in most parts of the country, Indian research has "hardly touched the tip of the ice-berg" in other cereals, legumes and pulses, such as maize, soyabeans, serghum and grain, to name only a few.

The vulnerability of the agricultural sector to weather factors could not be reduced significantly over all these years of planning. In 1950-51 of the total net cropped area about 18 per cent was irrigated. In 1975-76, 25 per cent of it was irrigated. The progress of irrigation was quite slow. In 1950-51 only 8.2 per cent of the net irrigated area was sown more than once. This percentage rose to 23.7 in 1973-74. The level of irrigation was extremely low in the tribal areas, less than 1 per cent.

Whilst irrigated land should yield at least 4 to 5 tonnes of grains per hectare per year, in India it hardly yields 1.7 tonnes, on an average. This is in spite of all our scientific effort concentrated on irrigated land, thereby leaving the bulk of the farming community to fend for itself. The strategy behind the intensive development of irrigated land in command areas has been based on the consideration that it is only by concentrating effort in areas and classes of people which already have the capability to respond to growth opportunities can desired increase in production be achieved in the short run.

A suggestion has been put forth that instead of dissipating its resources on wider coverage, India should bend its energies first to get yields of 4 to 5 tonnes per hectare from its irrigated lands, which might not be difficult with proper water management practices. We should not forget that land is a non-renewable natural resource, while water is a renewable and potential source of energy, which, if not

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properly and judiciously utilized, can entail problems of awesome dimensions in the agriculture of any country. We ought to know that 40 per cent of our land is subject to soil erosion and another 10 per cent is degraded by floods. The 6,000 million tonnes of top-soil lost every year carry 6 million tonnes of precious nutrients with them.

The new technology of lift irrigation coupled with a new strategy in agriculture has made it possible to bring the benefit of agricultural development to areas far away from canal irrigation and areas ill-served by rain and general climate. This has further ended in the increasing adoption of emerging patterns such as short-duration crops and fertiliser-responsive strains.

The demand for electricity from agriculturists has been rising because of the increased use of electric pump-sets to utilize under-ground water resources. Studies bear out that as a means of lift irrigation, electricity is much cheaper than diesel or animal power.

Despite advances in technology and the resulting transformation, the crop-soil-rainfall pattern remains the most important determinant of regional disparities and backwardness in India.

Even now about three-fifths of the country's cropped area* relies exclusively on rainfall, most of which is concentrated in a few months of the year. The syndrome of scarcity and even famine, (for instance, the 1967 Bihar famine) afflicts large parts of India. The rainfall in a large part of the cropped area is so low and uncertain in its distribution that it does not permit intensive cultivation during the main crop season. Hence, a good deal of the credit or blame for the variations in the rates of growth in agriculture from year to year goes to the monsoon, or the behaviour of the rain gods. As Ezekiel has jocularly remarked, "Changes in the Indian economy after 1971 have been affected mostly by the monsoon and world trade."

Favourable weather conditions and good and well-spread rainfall facilitate the increasing use of fertilisers, HYVs and other inputs. Exceptionally good harvests moderate the inflationary impact of deficit financing. On the contrary, the failure of the monsoon inhibits the implementation of the Plan in a big way.

During the hundred years over which weather records have been kept in the country on a systematic basis there have never been more than three good monsoons in row. Some tendency towards a worsening of weather conditions over the years has been observed. In the last fifteen years droughts caused steep fluctuations in agricultural production. Food production felt short of the targets. The drought of the mid-sixties necessitated substantial imports of foodgrains and that too on cencessional terms. The droughts of the early seventies required imports but these were imports from the open market and

* It is stipulated that half of our cultivated land will remain unirrigated for all time.

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they did not come in the form of food aid. It is to our credit that the drought of 1979 could be managed without further foodgrain imports.

The recent droughts have heightened the awareness of the need for faster development of the irrigation facilities in the country. But the utilization of the already created irrigation potential has been slow and not quite efficient. The question of an inordinate time-lag between the completion of irrigation works and the reaping of benefits from them has stemmed not only in the case of the large schemes but also in that of a large proportion of the small ones. Being widely dispersed, minor irrigation works have demanded, in fact, greater attention from the extension agencies. Non-utilization of the facilities is a factor of a quite serious dimension even in the case of minor irrigation, and calls for a closer study in each area with reference to different types of works.

In so far as more attention has been paid to construction works than to maintenance and operation, a degree of deterioration in the standards of the irrigation channels appears to have set in. This is due, in part, to inadequate financial provision, which disregards rise in costs. The cumulative effect over a period of the resulting deterioration has been disastrous.

Another distressing finding is that in a number of cases the rich farmers have irrigated their lands at the expense of the natural water flows used by the poor ones. The Green Revolution has relatively reduced the physical water resources available to the poor.

Other drawbacks of the irrigation projects are : (a) Delay in or absence of construction of water courses/field channels; (b) Non-introduction of *wasbandi* or rotational water supply system; (c) Non-revision of the crop-pattern in the light of local conditions; (d) Inadequate conjunctive use of surface and ground waters; (e) Inadequate provision for drainage; and (f) Lack of farmers in the application of water.

Predominance of Small Holdings

The average farm holding has been dwindling incessantly. It was 2.6 hectares in 1951. It came down to 2.3 hectares in 1971 and to 2 hectares in 1976. According to the official statistics, of the 50 million farms in the country, 40 per cent are under one hectare (2.5 acres), 35 per cent between one and three hectares, and 12 per cent between 3 and 5 hectares. These three types cover 50 per cent of the cultivated land and nearly 90 per cent of the cultivators. Barely 4.5 percent of the farmers own more than 10 acres.

An alarming latter-day development is the phenomenal rise in the number of highly uneconomic marginal farms from 20 million in 1961 to 45 million 1976—a jump of 125 per cent in 15 years. It is

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calculated that at this rate, within a few decades, Indian agriculture will consist wholly of very small farms. The rather sporadic endeavours of the Government to assist the small farmers through various peripheral schemes like the MFAL, SFDA and other projects have not had much success. Joshi notes, "These measures did not improve very much the conditions of the poor as they were ancillary to the main strategy of growth through reliance on viable holdings and resourceful farmers".

Within five years—from 1971 to 1976 the number and area under marginal holdings of below one hectare jumped by over 20 per cent and of small farms below 2 hectares by about 10 per cent. The increase was the largest in West Bengal and Bihar where the number of marginal and small holdings rose by over 50 per cent within these five years. In sum, "today's large farms are tomorrow's medium farms and tomorrow's medium farms are the small farms of the day after. It is a relentless process."

A study undertaken by the *Statesman*, Delhi has demonstrated that one of the striking differences between areas that have done well and those that have not is the wide disparity in the land-man ratio. It is no accident that of the 2.4 million large holdings of 10 hectares and more in the country, nearly 2 million are to come across in Rajasthan, Maharashtra, Madhya Pradesh, Gujarat, Karnataka, Punjab, and Haryana. What is even more significant is the fact that the average holding in the four best states, viz. Punjab, Maharashtra, Gujarat and Rajasthan, ranges from nearly five to eight hectares.

This is to be contrasted with the average of one hectare per holding in the entire Gangetic plain encompassing the entire tract in Uttar Pradesh, Bihar and West Bengal. In fact, 70 per cent of the holdings in this region are in the category of 0 to 4 hectares, while large holdings are negligible—below one per cent. Even these small farms are fragmented into several widely dispersed plots making it impossible for the poor farmer to engage in profitable agriculture. This is a strong reason why the percentage of people below the poverty line in these states is much higher than the national average.

The level of infrastructural availability is quite low in this region. A sizable section of the agriculturist class is indebted. The gulf of the debt is owned to the land-lords and money-lenders. The smallness of the holdings and the outmoded tenurial relations hold the key to this problem. Farming operations are found to be more efficient and the modernization process in agriculture is speedier in areas where holdings have been consolidated. But in this region a serious hindrance to consolidation is the wide difference in land values within one and the same village originating from differences in the availability of irrigation facilities. In addition, political pressures are obstructing efforts in the direction of consolidation. The moment consolidation commences, the better-off farmers belonging to the dominant castes grab the best lands with the connivance of the

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officials and push the poorer farmers into less fertile areas.

The pressure of both human and live-stock populations per unit of cultivated land is mounting interminably. To accommodate growing population areas under farms are being withdrawn for building houses. Promotion of transport is absorbing fertile land. Land is being acquired for park and open spaces, industrial plants and other establishments. Some irrigation dams have submerged fertile land areas. In certain localities small farmers have disposd of their land to profit from the escalation in land values and flocked to other localities where land values have been lower. The various devlopment authorities have been acquiring land at nominal prices. Land acquired at Rs. 2 per sq. yard has sold at Rs. 200 per sq. yard. Meantime, the number of landless and poor peasants has swelled. To repeat what we said above, there is not much scope now for bringing more land under the plough.

Tardy Institutional Change

No successful attempt at social and economic change can be made without appropriate land reform measures. It is in a context like this that the farmers of the Sixth Plan speak of "a mismatch between form and function" of the existing institutional framework in the country.

The pace of implementation of the land reform measures, particularly of ceiling legislation, has been "slow and full of loopholes so that their impact on the structure of land holdings has been minimal". Equally relevant is the fact that unless supplemented by many other economic reforms (e.g., land rental limitations, encouraging farm improvements, legal protection of tenancy rights, consolidating land holdings, specialising in output for market, etc.) land reform, by itself, may accomplish little more than alterations in the legal title to land.

Under the present arrangement of informal tenancy and share-cropping the landlord considers it unwise to invest in improving his land. Likewise, the share-cropper or the tenant is either unable or reluctant to invest in modern inputs. The insecurity of tenancy has not only stifled the widespread adoption of the HYVs but in specific cases, made for social and agrarian tensions.

Several states are yet to bring their tenancy laws in line with the national policy with regard to the regulation of rent, security of tenure and complement of ownership rights. In a number of states the tenants and share-croppers are liable to ejectment in exercise of the landlord's indefinite right of resumption.

Intimately connected with the problem of security of tenure is the regulation of rent payable by the cultivating tenant to the landlord. Efforts to confer a modicum of security of tenure become futile if the rent remains arbitrary and beyond the paying capacity of the

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tenant. In such cases the tenant gets into arrears for payment of rent and is obliged to surrender tenancy on demand from the land-holders. This apart, a higher rate of rent seems as a disincentive and an impediment to investment.

IV. FACTORS RETARDING INDIAN INDUSTRY

The rate of industrial growth has not been uniform during the Plan period. There was near stagnancy during 1966-68. The rate was as high as 9.5 per cent in 1976-77 and as low as 1.4 per cent in 1979-80.

The growth rate of industrial production decelerated from 7.4 per cent per annum in the 1950's to 6.3 per cent per annum in the 1960's and further down to 4.6 per cent per annum in the 1970's. Over the three-decade period industrial production increased at an average rate of 6.1 per cent per annum.

In 1960 India's share in the world industrial production was 1.2 per cent; by 1978 this had come down to 0.8 per cent.

Our industrial growth so far does not appear to be able to support adequately development in the rest of our economy and to sustain our export effort well enough.

In the initial period of planning for fourteen years industrial development was largely based on import substitution and had the advantage of a captive market. A steady growth could thus be maintained. Thereafter, the growth in industrial production was conditioned by the general pace of economic development in the country.

In later years of planning the low rate of expansion of domestic demand for consumer goods imposed a constraint, mitigated only to a limited extent by export markets. With the changing national and international environment it was difficult to match the sustained growth of the earlier years. During the 1970's the average growth rate was about 4 per cent per annum.

One explanation of a slower rate of industrial growth is in terms of demand constraints, i.e., the limitation of the market—limited international market for external products, low per capita income and consumption. Increases in income came to be spent largely on food; only very little on industrial goods. Redistribution of income induced demand for food and discouraged that for industrial goods.

Another explanation is in terms of shortage of entrepreneurship, capital, labour, technical skill, raw materials and other supply factors. The backwardness of the organisational and technological structure of the economy has imposed important supply constraints on its growth. The private businessman's calculations about the

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costs of production have been beset with formidable uncertainties on account of the organizational and technological inadequacies. It has been no easy matter to select the appropriate technology from the advanced countries and to adapt it to the conditions of a backward country. These conditions have also dictated that the entrepreneur must train his own skilled labour and provide his own power and other complementary facilities. Costs of production have thus been pushed upwards by the absence of trained manpower and complementary facilities. As the rate of growth was stepped up, supply limitations obviously acted as a fresh obstacle to growth.

According to a third explanation, when prices of agricultural products are higher and hence agricultural incomes are higher, the supply price of labour from agriculture to industry rises in terms of industrial products and the terms of trade move against industry. In India between 1962-63 and 1972-73 the terms of trade had swung against industry and in favour of agricultural products by around 60 per cent. This squeezed the profits of industry and forced it to economize, wherever possible, on the use of labour. The price scissors closed sharply between 1972 and 1974, when the prices of manufactured and semi-manufactured goods rose far more rapidly than those of agricultural commodities.

As we have seen above, the reasons for the fluctuations in the rate of growth of industrial production are many and varied. No single factor can be identified as having a significant bearing on the rate of industrial growth. There does appear, however, to be a close relationship between the trends in total investment and particularly public investment and industrial production. As is natural, the most sensitive of the various components of industrial production to investment rates is the capital goods sector and the least the consumer goods sector. Other factors which have affected the growth rate from time to time are : Lack of capacity in certain industries like cement, paper and fertilizer; shortage of power, transport, fuel, and till recently key imported materials; unremunerative administered prices; at times disturbed industrial relations; pattern of income distribution; lack of a coherent domestic policy; and in some cases inefficient management.

Authors like Lewis regard adequate supply of entrepreneurs (that is, people with "the right outlook, training and experience to exploit the available opportunities") as a crucial determinant of economic growth. But Zuvekas holds that the lack of entrepreneurial talent is only a minor obstacle to economic growth. Growth may instead be held back by a political leadership strong enough to retain the existing social order and to deny to those with entrepreneurial potential an opportunity to exercise their talents. Once internal or external events cause a traditional society to break up, those with entrepreneurial ability can also be encouraged by Government policy. Government policy can speed up the development of entrepreneurial skill by providing motivation training and credit to carefully selected business operators, as McClelland has suggested.

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The Monopolies Enquiry Commission attributed India's industrial development much to the adventure and skill of a few men, who had been largely responsible for the not-so bad capital formation in the country and for arranging many foreign collaboration agreements which helped to start new industries. Such men were able to furnish over the years a considerable amount of managerial skill of high quality, although the dynastic control inherent in this system kept out promising managerial talent from coming into its own.

The activities of the less conspicuously successful among the entrepreneurs are likely to benefit society not only in supporting the activities of the more successful but also in providing a milieu of entrepreneurial competition, mutual support and inter-change and development of ideas.

Although a variety of institutions and agencies have been established and have succeeded in stimulating the development of new industrial activities, new centres of industry and new entrepreneurs in this country, yet "their success in these matters is less than what we sought and hence there is a need for adapting and elaborating both the support system and the regulatory framework to suit the fast changing needs of a diversified industrial economy."

It has been contended that the institutional framework for supporting and regulating industry has by no means been perfect in India. The various comprehensive systems of licensing and control introduced were intended to channelise scarce investible resources in desired directions, especially to allocate foreign exchange. The legislation on monopolies and restrictive trade practices and regulation of credit through the nationalised banks were designed to curb tendencies to corner essential supplies.

But in their practical working licensing and controls have betrayed a number of shortcomings :

(1) In a wide range of industries where specific targets were laid down in the Plans, it has not been possible either to ensure adequate phasing or to review them periodically for adjustments in the light of changing situations. As a result, capacity in certain segments was created in excess of requirements. In certain other industries (e.g., fertilizer and cement) the addition to capacity has fallen short of requirements.

(2) The bunching of licensing and inadequate implementation have given rise to imbalances in some segments of industry. In a few industries, though licences were issued to the full extent of the requirements, actual manufacturing capacity created fell far short.

(3) The lack of synchronised growth resulted in an undue burden of maintenance imports.

(4) Detailed controls have not only put considerable strain on

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the administrative machinery but also led to delayed implementation.

(5) The regime of controls has also resulted in private enterprise becoming increasingly dependent on the Government and ceasing to carry out its own entrepreneurial functions, including market studies.

(6) Excessive control has degenerated into widespread black market operations. The so-called parallel black money in operation in the country refers to the black market or grey market operations of private businessmen and traders in commodities like cement and steel, which have been subject to price and quantity controls by the Government. This has extended to trade in import licences as well. It is "the extent and scope of such a market that makes it glaring in India". The existence of black money in the economy has meant that per capita national income tells less than fully the grimness of the story of poverty and income inequality in the country.

(7) "Anti-social income shifts or transfers" have resulted from the import substitution, export subsidy and import licence policies, as alleged by Shenoy.

The concentration of economic power in the industrial sector of the economy has been on the increase. In terms of total assets owned, the Tata group with 53 companies possessing total assets of Rs 417 crores topped the list, with Birlas (151 companies with total assets of 292 crores) following second. These groups have 44 per cent of the total paid-up capital of other companies functioning in the corporate sector and own about 47 per cent of their assets.

Apart from industries getting concentrated in a few hands, even licences have got concentrated. The inability of the licensing system to canalise the limited resources into high priority industries has created serious strains and imbalances in the economy.

The major factors responsible for the concentration of wealth in India, according to the Monopolies Enquiry Commission, were the managing agency system and the device of inter-corporate investment facilitating, in many cases, the creation of holding-subsidiary relationship amongst companies. The Government's programme of planned development, which occasioned a network of industrial licensing, control of capital issues, and regulation of imports, has also tended to produce concentration of economic power. The ability of the big businessmen to obtain credit from banks more easily as well as the law of patents in force has also contributed to the growth of such concentration.

All the same, the Commission in its report stated that the concentration of wealth had helped in the growth of the Indian economy and the task that remained was not to strike at concentration as such but at the ways in which it had posed a threat to fair distribution of wealth.

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Some other weaknesses of our industrial sector can also be mentioned *in extenso*. The high costs of production of a number of industrial goods have reflected low industrial productivity and growth of inefficient firms. The private industrial sector has shown want of cost-consciousness and appreciation of the essential need to lower such costs. This has been the outcome of the existence of a sellers' market. Sheltered conditions generated, in part, by the operation of prevailing controls appears to have diluted cost-consciousness among entrepreneurs. Moreover, fixation of targets, etc., have impaired the care with which entrepreneurs should weigh the long-term prospects of their investment decision.

The contention that a number of industries have grown behind the tariff and non-tariff barriers and could not stand on their own is not without a basis. They partly reflect our distribution of incomes and partly testify to the failure of our regulatory mechanism. High tariff barriers and tight controls on imports have tended to shield the domestic industries from international competition and protect them from the consequences of inefficiency. High costs have sometimes been a direct effect of the Government's licensing policy. Where the demand was large enough to sustain only one plant of an economic size, several plants with sub-optimal capacities were licensed in the name of diffusing ownership and deterring monopolies.

In the policy of import substitution too there has been insufficient attention to costs and a few industries have been set up where the industry cannot be a low-cost producer by international standards. While this was essential in certain areas, it was not so in many others.

Another outstanding weakness of industrial development is the low level and relatively narrow degree of specialisation of industrial activity in our country.

In addition, the industrial policy since October, 1972 has shown "signs of increasing pragmatism". The Government, torn between socialist slogans and its dependence on the business community for election funds, has followed "a vacillatory and incoherent industrial policy, retaining a corrupt and cumbersome system of controls over private industry, while turning a blind eye to the most blatant black-market profiteering". A "tacit alliance between state capitalism and influential business interests" has "encouraged unbalanced industrial growth" and "done nothing to prevent increasing penetration of the economy by foreign capital". Masani has argued that India has become "a semi-colonial base, where the components of a product could be easily imported, the product itself easily assembled and exported with government assistance and the profits freely repatriated abroad". Investment and production of this sort, in this view, bear no relation to the economic needs of the Indian people and indeed amount to "a new form of imperialist exploitation."

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According to V.K.R.V. Rao, the mixed economy in India has failed "to formulate the political strategy and to consolidate the social and ethical forces for socialist transformation". This has been the product of "a political alliance of the intermediate classes with the upper classes resorting to socialist ideology only to win mass support but using all levers of power to facilitate a type of capitalist development in the interest of a narrow section of Indian society". What is wanted is "a political alliance of the have-nots and the intermediate classes using socialist ideology to release mass energy and initiative on a vast scale and using the levers of power to promote the process of socialist transformation of the economy in the interest of the widest sections of Indian society, especially of those at the bottom". Another weakness of the Indian pattern of the mixed economy lies in "its failure to serve as an effective means of surplus mobilisation and capital accumulation and in its utter failure to instil discipline in either the entrepreneurial class or the working classes".

Perhaps the most serious lacuna in our industrial planning has been the lack of attention paid to the employment implications in choosing our technologies.

Industrial Sickness

We have failed to utilize the created capacity in a number of consumer and producer goods industries. This has led to much wastage of capital, thereby adding to the resource constraint as well as rendered the aggregate capital-output ratio higher.

The problem of industrial sickness has been growing in dimension and seriousness. This is proof of some basic imbalance within the industrial sector.

Although there is no "clear concept" of industrial sickness, yet it can be defined as "absence of viability" or "inability to generate surpluses".

The number of enterprises which have become unviable has increased over the years. This is evident from the expanding volume of assistance from the financial institutions set up to aid the sick units. The volume of funds locked up in industry also serves as a rough measure of the state and extent of sickness.

In June, 1979, there were 345 large sick units in which Rs 1,102 crores of bank credit (nearly 6 per cent of the total bank credit) was locked up, each unit owing, on an average, Rs 3 crores. The banks maintained that of the 334 large units, which had used up credit of Rs 983 crores by September, 1978, only 134 were potentially viable.

Owing to the incidence of sickness the economic viability of a large number of units in the traditional industries like cotton textiles, jute textiles and sugar was seriously eroded.

In the small-scale sector the number of sick units was 20,326 and

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the total bank finance to them amounted to Rs 231 crores. This sector comprised mostly tiny units having investment in plant and machinery upto Rs 1 lakh. Its share in industrial production in terms of value added fell from 19.5 per cent in 1968 to 16.1 per cent in 1975-76.

Any deceleration in industrial investment and hence industrial growth has been accompanied by an increase in the unutilized capacity in a number of industries. Factors, such as scarcity of raw materials and inputs (agricultural like cotton, ground-nuts, oilseeds, tobacco, jute, etc.; and non-agricultural like steel, coal, cement, paper, etc.), non-availability of components, spare parts, complementary goods, etc.; out-dated machinery, credit and dear money policies, anti-inflationary demand management which curbed the market, heavy indirect taxation which pushed up costs and restricted demand, disturbed industrial relations, infrastructural constraints, and, to an extent, bad management, were primarily accountable for industrial sickness. To this catalogue of general factors we may add the following specific factors that pertain to the sickness of small units: uncontrolled expansion of the large units using more mechanised techniques (e.g., textiles, oil crushing, soap-making, matches, leather and leather products, etc.) and failure of the large-scale enterprises to off-load the existing low technology activities to the small-scale and ancillary enterprises.

Other problems facing the private investors have been : delays in approval of financial and collaboration terms, delays in import licensing and foreign exchange release, delays in land acquisition, misjudgement of market growth and so on.

One reason why new investment in the private sector has been declining is the fact that the pricing policy has often run counter to the growth objective. Burning examples are cement and paper.

In an economy operating with less than perfect efficiency the most economical choice should have been to improve, extend and utilize more fully the existing facilities and to obviate the existing impediments to high payoff activities. But no worthwhile attempt was made to analyse and identify the problems which came in the way of greater utilization of the existing capacities and for devising remedial steps. The problem of sickness was allowed to drift for long. Quite late and under pressure of various kinds the Central Government had to take over a considerable number of the private sector sick units (particularly in the textile and engineering industries) in the interest of maintaining employment and production. But this step did not provide the talisman for improving viability or profitability. This is evident from the performance of textile mills under the National Textile Corporation which incurred recurring losses of Rs 60 crores in 1979-80 and of Rs 16.47 crores in the previous year, the cumulative total loss till 1980 amounting to Rs 230 crores. Even so, the take-overs continued and 13 units were nationalised in 1980. Follow-up

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action to nurse the sick, languishing units back to health was not taken. Likewise, there was no systematic provision for their monitoring and rehabilitation.

Inadequacies of the Power-Transport-Coal Complex

The infrastructural inadequacies hindering industrial growth deserve a separate treatment.

Production capacities created after a massive investment effort have remained underutilized due to short-falls in the performance of the power-transport-coal complex or nexus. These critical sectors of the economy have suffered from a lack of coordination among them. Coal production, railway transport and power generation seem to press one another down instead of bolstering one another up. The country has had to witness the unedifying spectacle of the power authorities blaming the railways and coal authorities for their deficiencies and these, in turn, blaming the power authorities, and each other for their failures.

At present industry and transport account for 40 and 20 per cent respectively of the total energy consumption in the country.

These bottlenecks have slashed the external economies emanating from them and acted as a general drag on economic growth.

The lack of power is a major limiting factor in the development of practically all sectors of the economy. During the 1950's and the 1960's electricity generation increased at the rate of 12.7 per cent per annum. This rate came down sharply to 7.3 per cent per annum during the 1970's. We have not able to run even our present power stations and systems efficiently.

The generation of power from our thermal plants is affected by numerous snags. Hydel power generation is affected by the failure of rains as also by poor rainfall.

At the end of 1980, only 45 per cent of our total power generating capacity was utilized. Most of the states have had to take recourse to severe power cuts throughout the year.

Although the power sector has been receiving maximum priority in the allocation of funds, there have occurred in the course of planning chronic power shortages for the last serveral years in many parts of India. Commissioning of new capacity has consistently fallen short of the targets. The performance of a large number of thermal sets has been sub-optimal. Delays in equipment delivery by manufacturers, hold-ups in the flow of funds from the State Governments to the Electricity Boards in some cases and limitations of the organisational capabilities of the Electricity Boards have all contributed this situation. This has been aggravated by teething troubles in commissioning newly installed thermal generating units. These are areas of concern which call for urgent remedial action.

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In contradistinction to the oft-quoted official goal that power supply should invariably exceed demand by 10 per cent, the country has been experiencing an average annual short-fall of about 17 per cent, the worst hit being, of course, the eastern region with a figure of 24 per cent. In 1978, only 17 per cent of the country's aggregate power generation capacity of 23,000 MW was located in the eastern and north-eastern regions, though they together accounted for one-third of its total population.

The generation of power is not only limited but also relies heavily on costly coal instead of relatively cheap and abundant hydro or nuclear sources.

Before we leave this section, we would like to point out that there is reckless waste of energy in all spheres of our national life, from the industrial to the domestic. Industry can, through better housekeeping measures, effect a saving of as much as 25 per cent without affecting growth. In the rural areas huge amounts of electricity are wasted because of the low efficiency of the irrigation pumps. Rural electrification based on a centralised system has come in for a good deal of criticism as there can be losses of up to 40 per cent in transmission to remote areas.

The transport bottlenecks compound the power shortages. Producers of agricultural and industrial commodities encounter difficulties in the availability and movement of railway wagons. At the beginning of 1981 the Indian railways were saddled with as many as 18,000 sick wagons. Their equipment could not be improved in the short run.

Roads are not maintained properly. Our transport system calls for further modernisation and expansion.

We have still to seek foreign collaboration and technical assistance for coal mining which we have been doing for more than a century.

Case of the Public Sector Enterprises

The public sector in India today commands such a wide area of industry that "its malfunctioning can halt or cripple growth at many levels." Between 1960-61 and 1977-78 the share of the public sector in the value added in mining and organised manufacturing grew from 8.1 per cent to 28.9 per cent. The development of the public sector has been the principal element in our drive for diversification. In the highly critical areas, such as copper, lead, coal, petroleum products, hydro and steam turbines, locomotives, railway coaches, etc., the share of the public sector is 100 per cent. In quite a large number of products like anti-biotics, bread, machine tools, mining machinery, professional electronics, wrist watches and crawler tractors, it ranges between 50 and 95 per cent.

There has taken place a remarkable technical progress in India in the last three decades. We now produce a wide variety of fairly

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sophisticated machinery and equipment for hydro and thermal power stations, steel plants, fertiliser and petro-chemical plants and many other sophisticated mechanical, electrical and electronic equipments. We can produce a wide array of equipment required for nuclear power reactors as also space rockets and satellites. We have achieved self-reliance in respect of defence equipment to a very large extent. The rapid progress of technological transformation in mining and manufacturing can be estimated from the fact that in 1951 the average per worker consumption of power in them was 1,360 Kwh; by 1979-80 it had risen to 8,565 Kwh.

Nevertheless, the public sector enterprises have failed to generate adequate resources for the expansion of the public sector investment. They have not yielded the returns on investments in them which could be normally expected from them. As such, the public sector as a whole has not functioned as a dynamic source of finance for development. On the contrary, the extent of budgetary support for its units has risen phenomenally over the years. Even if we were to allow for the fact that a considerable amount of the public sector investment has been in the field of infrastructure, which was not meant to make high profit, the Government factor income need not have been so low as it is when the promotional phase of many public sector undertakings is long over.

A key assumption from at least the Third Plan has been increasing displacement of taxation by resources generated by the public sector as a source of finance for the Plan. This remains a distant dream even today. Were account to be taken of the poor return from the public sector units under the State Governments like the State Electricity Boards and Transport Corporations, the picture would turn out to be even more dismal.

Investment in the public sector undertakings was Rs 29 crores in 1951. By 1969 it had soared to Rs 3,332.54 crores. In 1977 it amounted to Rs 11,097 crores and to Rs 18,225 crores in 1980.

The average net return on capital invested in the Central undertakings earning profits in 1970-71 was 3.9 per cent. In 1973-74 the rate of public corporate saving was 1.3 per cent. The best year for the Central Government industrial and commercial ventures was 1976-77. Pre-tax profits after interest for 149 undertakings was Rs 421 crores in that year, yielding a ratio of a little less than 4 per cent on capital employed. In 1979-80, 169 undertakings made a pre-tax profit of Rs 227 crores, yielding a ratio of about 1.4 per cent on capital employed. The intervening years were a period of massive transfusion of cash assistance to the losing concerns, pushing up interest liabilities from Rs 607 crores in 1976-77 to Rs 1,037 crores in 1979-80.

In this context we should not forget that the public sector enterprises enjoy in the purchase of the critical inputs a price preference of

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10 per cent, in addition to several other advantages enjoyed by them, such as their access to finance at lower rates of interest.

The losses incurred by the public sector undertakings are made good from the savings of the rest of the economy. Moreover, the provision for depreciation and obsolescence in them is another charge on those savings. The rate of growth of the economy is less on both accounts.

The contribution of public enterprises is worked out after deducting from their gross surplus (a) the current replacement expenditure, (b) own resources utilized for meeting inventory requirements, and (c) repayment of loans.

The capital outlay on public enterprises is met out of borrowed funds and, therefore, the earnings, interest on loans and dividends on equity from them should at least be equal to the interest charges payable by the Government on borrowings. Otherwise, public enterprises would exert an undue burden on the exchequer.

V.K.R.V. Rao regrets that the sectors controlled directly by the Government have not yielded satisfactory results either in terms of economic efficiency or in terms of mass welfare. He writes, "the very instruments which were expected to promote national interest or socialist objectives have been used to promote narrow sectional interests." He adds, "Institutions can serve the purpose of achieving socialist aims only if there exists a high level of social consciousness and organisation among every section of society and specially among weaker sections who have the major stake in socialism."

How do we explain this sad state of affairs ? The reports of the Committee on Public Sector Undertakings set up by Lok Sabha contain words such as mismanagement, wastages, overstaffing, capacity underutilization, pilferage of material, overstocking, high production costs, inefficient utilization, irregularities in the filling of posts, and the like. Law and order problems and disturbed industrial relations have also hindered higher production. Lack of appropriate pricing policies is also held responsible for low yields and huge losses. The managements are inept in their choice of appropriate technology and suppliers of equipment as well as in enforcing productivity standards among workers. Furthermore, the different enterprises within the public sector do not act sufficiently in concert.

The regular bureaucracy has been steadily moving into the vacuum caused by the non-availability of qualified persons from outside to fill the topmost posts* in the public sector enterprises. This is accentuating the tendency to make the public sector "a part of the established power structure rather than an integral part of our mixed

* At the end of 1980, in more than 20 public sector units top-level management jobs were vacant. The authorities were unable to select the best men from the reservoir of talent available in the whole country.

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economy". Morale in the senior civil service and among senior management cadres in the public sector is visibly low. An erratic reward-and-punishment system continues to demoralize the better among them. The motives behind many of the transfers, promotions and demotions are demonstrably suspect. Other demonstrative changes in certain departments and ministries are "so fudged by other considerations that the wrong kind of signals are being sent to the rest of the bureaucracy." All this is hardly "conducive to disinterested advice, venturesome decision-making and expeditious implementation" "that ought to be the attributes of a bureaucracy in a government that works".

Political control and frequent bureaucratic interference denies the public sector management the autonomy necessary for efficient functioning. The public sector has often provided berths for "placeless politicians and scheming bureaucrats". Many of the projects and collaboration schemes have been "tailored to the interests and even whims of those who exercise power". To quote the Study Team of the Administrative Reforms Commission, "Political interference in the day-to-day working of the Railways is having a serious impact on the work-load at all levels of management and is undermining discipline which is of paramount importance for efficiency and safety". The net result of all this is that the managements in both private and public sectors have now developed "mutual sympathies as co-sharers of the ill effects of the controls imposed from above by the politician and the bureaucrat."

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3

The Political Economy of India's Retarded Growth

I. THE THEORY

Economic development connotes more than economic growth. It implies "fundamental changes in society, in ways of life, in political and institutional patterns and in the grasping of new sets of values". The process of economic development is not restricted to economic change but is "essentially a transformation of the human agent and his social environment within which economic activity unfolds itself". Socio-cultural and political development contribute to economic development and are, in turn, determined by it.

Political motivation and presence of a strong and determined government are crucial factors in the successful execution of any plan. Economic and social progress is dependent on political stability. Likewise, political stability is dependent on social and economic progress. Hodder is of the opinion that "there is some positive correlation between the level of economic development and the degree of democracy or competitiveness exhibited by the political sytem". According to him, no policy of economic development can be carried out unless the government has the capacity to adhere to it, no matter how organised and systematic the opposition to it by the losers, who may well be powerful pressure groups.

The pace of economic development depends in part on the psychological and sociological setting within which an economy functions. A major determinant is the community's will to progress and its readiness to develop.

Economic relationships do not operate in a vacuum. They are associated with "a specific kind of institutional framework, a given structure of property relations and particular rules of income formation." For this reason paramount importance is now being attached to such factors as "the adaptability of society, its attitudes

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to innovation and change, and to the attitudes of the traditional elite to the social and political changes", which normally accompany development. Planning decisions, to wit, stem largely from political decisions.

It is impossible to look at the processes of economic development in any developing country today without being aware of the nature of its socio-political context. The property arrangements surrounding the production systems, the relations between various groups participating in the economic processes and the prevailing ideas in society determine the structure of the economy decisively.

Kuznets explains slower economic growth in the underdeveloped countries in terms of the lack of a stable but flexible political and social framework, capable of accommodating a rapid structural change and resolving the conflicts that it generates while encouraging the growth-promoting groups in society. Most developing countries of today have been all along experimenting and struggling to attain such a framework compatible with adequate economic growth. In a nutshell, politics is the fulcrum, the *sine qua non*, of the process of modernisation. It is instrumental in imparting the process its momentum.

Underdevelopment of an economy is the outcome of "a particular adverse combination of initial conditions and structural parameters" culminating in economic and social stagnation. The development of a country may be blocked because it has "a social structure that keeps the response to economic forces within narrow channels and itself withstands transformation by those forces."

The ineffectiveness of the institutions in underdeveloped countries to manage conflicts is as formidable a bottleneck in their economic growth as are scarcity of capital and dearth of entrepreneurial ability.

The take-off period in a developing country is one of tension and conflict because, as Powelson shows, the growth sensitive groups vie with the growth resistant ones for support of the people at large. The process of the take-off is further complicated by conflicts among growth-sensitive groups themselves primarily over how the political power and the increments of national product are to be shared. Inability to resolve or manage these conflicts prolongs the take-off period, thereby deterring or delaying the formation of the post-take-off values and institutions that interact. What happens is that especially in the encounters of economic development individuals often sense the conflict before they perceive the mutuality. On this view, therefore, economic development includes a shift in the composition of conflicts, away from the destructive and towards the constructive. Consensus on economic and political ideology is essential to institutional effectiveness.

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In a take-off period the groups of people disagree also on the nature of growth, its causes and its retarders. Except for ephemeral coalitions designed to meet particular circumstances, they tend to cooperate only slightly with each other. Generally, each group believes that what is good for the other group is bad for it, and *vice-versa*.

For bringing about the take-off and the self-sustaining growth of an underdeveloped economy a new elite must emerge. Political leadership has a significant part to play in accelerating the speed with which local talent, energy and resources are devoted to modernisation and in overthrowing the deadweight of the old order. In other words, there must exist or emanate a political, social and institutional framework which exploits the sharp stimulus or impulse to expansion. Short of these pre-conditions there will neither be take-off nor self-sustaining growth.

The process of self-sustaining growth can be initiated in an underdeveloped country by altering the existing pattern of economic relationships in it in such a manner that the released dynamism of the economic structure induces growth in production, makes this growth self-sustaining and spreads it through the different sectors of the economy and different groups of society.

A leading problem confronted in many developing countries is "organisational power failure". Usually, the private and public organisations and institutions fail to deliver the goods due to a dearth of "the prime movers of innovation". Besides, another problem faced by these countries is "the desire of the political and social elite to maintain their status". This mostly perpetuates a feudal mentality among the mass of the population.

The problem encountered by the planners in underdeveloped countries is fourfold, as analysed by Stopler : One, they frequently lack the signalling system which a well-functioning market provides. Two, they also lack the institutions by means of which ideas that might crystallise can be put into practice. Three, there does not exist a sufficient number of people who can take place even of a crudely working price mechanism. Four, basic information of a technical sort, particularly with respect to agriculture, is either not there or available only in a form in which it is not usable.

The modernisation of an economy turn on changes in social attitudes. It consists in adopting "new ways of doing old things, in establishing new modes of economic organisation and developing attitudes that are more relevant to the new modes". It is "a process that has an agent, a class in society acting as its spearhead and expediter".

The proponents of change normally come from the intelligentsia of society, possessing "a set of attitudes and values centering in

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estrangement from their social environment and the desire to change it radically. "This class rises to the leadership and command of society as the agent of a revolutionary transformation of a traditional society." What gets an underdeveloped country moving is "a collective effort inspired by a pronounced sense of political purpose to build it up into something that all its citizens might justifiably be proud of".

When the obstructionist tendencies or active resistances are strong enough to compete successfully with the modernising tendencies, the result is that the modernising tendencies subside at an incomplete stage for want of adequate and proper motivation and the process of change slows down to such a creeping pace that the economy is, roughly speaking, in a condition of stagnation.

The obstructionist tendencies or active resistances to the modernisation process may take the form of inertia, "the hidebound opposition of a traditional mentality" of certain sections of the people to change of outlook, values and ways of living and of the privileged sections to further extension of the process that would undermine their material interest and style of life. Added to these is the fact that if the drive towards modernisation is concentrated in the immensely dynamic personality of a few leaders and there is no universal urge for it, then it is bound to slacken with their passing away from the scene.

An important, unconscionable fact of underdeveloped countries is a small modernised sector and large traditional sector—a sharp cultural rift in society as if two different nations inhabited one country. Economic and technological dualism tend to converge. Modern technology is confined to a tiny and isolated enclave. The rest of the economy continues to use the traditional and backward techniques of production. Cities in all developing countries are the prominent centres of economic power. Fairly in the transitional stage they often develop a quite modern way of life, standing as advanced enclaves in a society still predominantly rural and primitive.

The process of economic development in underdeveloped countries must therefore contend with the existence of dualism in all its aspects. It will essentially be a process of modernisation whereby the modern sector will become a larger component of the economy as a whole, whilst the traditional sector will be modernised. Although in the earlier years the establishment of enclave activities in the exchange sector will not exert much developmental impact on the attitudes and mores of life in the indigenous sector, yet with passage of time it is certain to make some contribution to development by employing labour from the subsistence sector and disseminating knowledge.

The Mixed Economy

The government in a mixed economy influences economic

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processes and decisions in various ways by policies framed to promote, protect and to guide or regulate the economic activities of individuals and groups of individuals, e.g., by prescribing rules or norms of economic behaviour in many important areas of the economy, by directly participating in the management of private enterprises, by owning and operating a wide variety of enterprises which produce goods and services, by directly or indirectly exercising control over prices or rates in a number of sectors of the economy, by affecting the distribution of goods and services produced by the economic system, by taxation and expenditure policies, by monetary and credit policies, and so on.

There is interaction between public authority and private enterprise. The former makes an increased use of the latter to carry out public programmes and policies. The latter frequently calls upon the former for support and assistance. The end result of this is more *mix* or rather, more *mixing-up* in the mixed economy.

There is in a mixed economy a large measure of decentralisation in decision-making. Millions of individuals, groups, labour unions, proprietorships and corporations are relatively free to make their economic choices. By far the largest portion of the national income is spent by individuals or business firms with relatively little restriction. Property is for the most part under private control. There is a minimum of governmental restraint on the right of people to chose and change occupations.

In short, within the framework of government incentives and restraints, most economic decisions are privately made. The majority of government programmes are calculated to strengthen or facilitate private decision-making, and not to restrain or restrict it.

In a mixed economy a lot hinges on the role of individual enterprise, initiative, ability and thrift as well as on that of the government. In such an economy the micro units are expected to work in a manner commensurate with the tasks at the macro level. But this may not be realised wholly in actual practice. The goals of the free market forces and those of the planning authority may not coincide. The operations of the private sector are not always well coordinated with those of the public sector and with the plan targets. The reason is patent: The public sector can be directed towards the plan targets by administrative fiat, whereas the private sector cannot be thus directed.

II THE POLITICAL RETARDERS

The Indian Political Settting : The Government

The Government in India has betrayed a lack of the necessary persistence and determination in the exercise of the effective power vested in the state, a lack of driving force, and, above all, a lack of

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the political will to solve the basic problems facing the country. In consequence, planning in the country has operated so far "in terms of slow changes and marginal adjustments, a minor shake-up here and a little cementing elsewhere". The declared objective of the Government "to promote a rapid rise in the standard of living of the people" has not so far been achieved. Planning has failed to meet in full the demands of the people for the right to work, the right to adequate income, the right to education and to a measure of insurance against old age, sickness and other disabilities. It has failed to secure and protect a social order in which justice—social, economic, and political—informs all institutions of the national life. It has failed to become "a focus of intense activity" and "a field of common endeavour". It has been concerned with improving and reinforcing the market system rather than with supplementing it with detailed controls. The extent of government direction over the rate and pattern of development in the economy has, of course, steadily increased.

The Government policies have been neither systematic nor altogether consistent. Policy changes have tended to be gradual and piecemeal. They have emerged as "the resultant of economic, political and administrative forces acting on the Government".

Indian planning has been "an official exercise in resource mobilisation and public spending". It has assumed largely the form of increasing and rationalizing public expenditure on development instead of calling for over-all ownership, operation or even control by the Government of the country's total productive resources. The policy of enhancing public investment year after year has come to acquire "a mystical importance quite out of proportion to its actual contribution to growth and stability".

State policy in India has so far failed to ensure that "the ownership and control of the material resources of the community are so distributed as best to subserve the common good".

The Government has not been able to control the diversion of resources by the private sector between developmental and non-developmental uses of resources. One reason for this is the fact that a large part of resource-allocation is still done through the price mechanism.

Increased welfare expenditures have become equivalent to the tangible evidence of progress, so very necessary to a democratic government for retaining support of the people.

The forces of growth from within have not so far been allowed to work themselves out in full. They appear to have been stifled. The Indian planners have been aware, from the outset, of the fact that democratic institutions are in their nature extremely difficult to work, for they require "a consciousness of social purpose, courage

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to stand by principles, and restraint in the exercise of authority". These qualities could not be developed to the desired extent, nor could leadership be secured in every field of activity through the democratic means needed for rapid economic development in the country. Admittedly, the productive potential of a planned economy could not be realised on the basis of the existing relations of production among the agents of production because these relations fetter the productive powers of the system in a number of ways.

In a planned economy the private producer has to work, in essence, as an agent for utilising economically and to the best advantage of the community the productive resources at his disposal, subject to the given incentives and restraints enforced by the state. But what has, in fact, occurred in India is that while the traditional forces have not as yet been completely wiped out and the new forces have not fully taken hold, the economy is in the grip of extensive controls and persisting shortages. The various instruments of Government policy have "reinforced one another in diverting investment away from the areas over which the Government has exercised greater control to those over which it has exercised lesser control". In the words of Khusro, since the controls have not worked satisfactorily, what has worked actually is the price mechanism despite all the injustices imputed to it.

The achievement of the desired results by control methods has proved to be especially difficult and inefficient. The difficulties of administering an extensive network of controls in an economy organised, by and large, in small units cannot be underrated. Private investment has usually been held back by time-consuming procedures involved in obtaining multifarious permits and licences. Most of the opposition to controls springs from dissatisfaction with the working of particular controls. There is, however, no doubt that controls, if administered ineffectively or inefficiently, are capable of doing more harm than good.

Another striking lacuna in our planning is, that though differences as to the approach or the pace of change with regard to certain problems are inevitable in a democracy, there is a veritable want of a common area of agreement in our country as to the ends of state policy. For instance, we have hitherto failed to evolve a consensus in respect of "how the interests of different sectors and regions are to be reconciled and mediated." For planning to proceed with the requisite momentum and continuity, it is indispensable that we as a community adopt a programme of action which reflects the unity of outlook and approach among the members of the party in power and draw forth at the same time the support and cooperation from shades of opinion outside the ruling party. Regrettably, this has not been feasible upto now.

The public authority has not bothered to take care either of its penny or of its pound; it has been equally foolish with both. The

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Government's incessant resort to deficit financing has particularly enabled it "to pay high prices to surplus farmers, to avoid introducing an agricultural income-tax and to allow black-market speculators to operate freely, while at the same time seeking to ameliorate poverty and unemployment with doles and subsidies, much of which finds its way into the pockets of corrupt administrators".

Our so-called socialistic policies have comprised chiefly "the manipulation of interventional instruments rather than the restructuring of the economy". As a result, per capita real income has risen very little, and inflation and unemployment have become worse. The present economic crisis is ascribed by a host of economists to "an institutional lag" or "an institutional inertia", disclosing the failure of our institutions to adapt themselves to the changing situation owing to the vested interests of the ruling elites. To put it differently, the Government has acted as an instrument in their hands.

What could be the reason? One apparent reason is that when the government of a country tends to be unstable, there is a tendency on the part of those who constitute it to remain in power by adopting devious methods. A government, like any other social institution, is affected by and responds to changes in its environment. Hence, the rulers attempt to come to terms with the existing order. This amounts to "deradicalisation". Their efforts are directed to the attainment of the immediate ends in view, for this placates the pressure groups.

The instability of the State Governments during 1967-72 and of the Central Government in 1979 was mainly responsible for the discontinuity in their development policies. But even during the period when there was stability at the Centre and in the States, economic discipline on the part of the State Governments had been conspicuous by its absence and the Central Government has misera bly failed to get it enforced by them. To give a concrete example, the State Governments have complicated their problems by pursuing a policy of expansion of their staff disproportionate to the expansion of their Plan and non-Plan activities. Since 1966 employment by the Central Government has risen by 16 per cent, whereas its rise in the States has been of the order of 45 per cent. A considerable percentage of investment in agriculture has been in the multiplication of official and non-official agencies, village-level workers, block development officers, a cubersome three-tier cooperative credit system, committees of officials and non-officials, a huge administrative staff, village panchayats, etc., which all have "bureaucratised the whole structure rather than democratised it".

In recent years the Indian voters have thrown out the Governments through the ballot-box but a good many new and well-intentioned Governments have often found themselves fraught with grave financial stringency arising from the extravagance and imprudence of

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the outgone Governments. That is to say, they have inherited heavy debts and a badly maladjusted economy.

Another striking feature has been that the stability or instability of the Government has affected those in the organised sectors of the economy more perceptibly; those in the unorganised ones, such as agriculture, have been concerned more over "the behaviour of the rain gods".

The sizable chunk of the self-employed sector in agriculture, household industry and services has been planned minimally. The targets for the private corporate sector have been but indicative, for the sector has been free to take initiatives for production and investment, subject to the prevalent Government inducements and regulations. Consequently, slippages have been unavoidable. The fundamental problem baffling the planners has been how to influence the behaviours and actions of a multitude of small producers diffused over an extensive space, their decisions, in the ultimate analysis, substantially governing the volume and direction of production. This has rendered problems of organisation of these producers and of supply of inputs and technical guidance to them agonising and vexatious. The planners had to reckon with the slowness with which the myriads of small producers could be educated and stimulated to accept the change in their attitudes and values, which was implicit in a departure from the traditional patterns of production and distribution.

To crown it all is the general limitation afflicting most planned systems, viz., "We cannot always say for certain that a given set of causes will produce a particular, clearly definable set of results and none other; we do not always know at what rate the effects of a particular change in a part of the system will be transmitted to the other parts of the system. Responses of individuals or of groups of individuals and of classes cannot always be predicted in advance".

The Political Parties and the Politicians

The Indian parliamentary system is manifesting signs of rapid disintegration. To quote Masani, "The contradictions inherent in the application of the Westminster model to a semi-feudal country have been compounded by the deepening economic and moral crises of Indian society". In a typically illiterate, agrarian society, where the traditional caste and economic ties continue to dominate, the electoral process, universal suffrage notwithstanding, never signifies the active involvement of the masses. The "disenchantment and cynicism of the electorate" is revealed in the low percentage of votes cast. Elections provide opportunities for the display of factional and caste rivalries of the elite groups that control the rural "vote banks". According to the same author, the Congress party since Independence has never been "more than a broad-based coalition of

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such elite groups eager to share in the spoils of office".

All political parties are primarily interested in capturing votes and their adventurist politics and occasional agitational propaganda are geared to work a confidence trick on the voters. The process of politicisation has laid in two distinct movements, excellently highlighted by Kothari. One has been that those in power have inducted into their fold the elites of more and more ethnic, religious, caste, linguistic and other vested groups. The other has been that these have then performed the function of mobilising the remaining members of their groups to vote for particular persons or parties.

Commentators have observed that whilst the Indian political parties have demonstrated amazing capacity for organising *bandhs* and demonstrations with great fervour and accredited success, they have exuded no aptitude for harnessing the abundant human energy for constructive use. Hanson notes, "Indian political leadership has neither the power nor the desire to effect a social revolution". This sounds paradoxical when we take into account the fact that a vast majority of the politicians have deep rural roots and as such possess a first-hand knowledge of rampant rural misery.

Very few of us would deny that the Government based on a single dominant party has been wont to claim "a monopoly of understanding about the national interest". On the one hand, convinced of its own actions and reassured by the promises of its economic programmes, this government has been reluctant to push forward its frontiers to win more and more people to the national effort, becoming more rigid and doctrinaire in its fads and beliefs. On the other, a latter-day up-turn has been that even such a government feels hesitant to be strict and exacting in the implementation of its manifesto and appears to entertain "understandable scruples about anything that smacks of coercion" as well as "political apprehensions about the voters' response". India's contemporary planning is far from being a process in which every citizen has the opportunity to participate in some form or other. Accidents or places of birth have stood against numerous persons and prevented them from acquiring their due positions in society. Whilst the old "untouchables" have gone, new "untouchables" have been created by those who have been running the Government. "My caste-man, my community-man, my home district-man, right or wrong, able or otherwise, honest or dishonest, deserving or undeserving" has been the slogan or watchword in the majority of cases.

The accent on implementation, on speed and thoroughness in seeking practical results is missing. The failure of the Government in the past to use its stupendous power and the immense goodwill of the people to enlist their support and co-operation for generating a climate conducive to development, its failure to set up a genuine socialistic order by bringing about structural changes in the economy

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instead of merely tinkering with it has been attributed by eminent journalists (e.g., Bhasin) to "the heterogeneous character of the ruling party; its incurable addiction to factionalism, its craving for power and its increasing reliance on the moneyed interests not only for party finances but also for economic growth". To cite Masani again, "The image of a strong leader has its uses in mobilising the people to cope with new challenges. But it can be sustained only by hard decisions and resolute actions. It cannot but get blurred, if it is used merely to arouse expectations which remain unfulfilled". The absence of a viable alternative to the existing political leadership in the largest democracy and the second most populous country of the world is not a matter to be proud of. At present all power tends to get concentrated in the Prime Minister at the Centre or the Chief Ministers in the States. This fosters unhindered "a cult of personality" and bristles with developments of far-reaching repercussions.

The growing commitment of the politicians to a particular leader or a handful of leaders and his or their fortunes and views of the problems of the country and the world is replete with peril in so far as this is sheer idolatory or hero-worship, which does not admit of fair criticism even. Besides, the proportion of such politicians "as not only do not think in State-wide or nation-wide terms but not even in those of their own constituencies and their place in the State or nation" is constantly proliferating. Fewer of them are "chastened through ideological struggle". Most are shorn of "the old intellectual equipment and still less of the ethical or philosophical commitment". "Those wielding political power use it to their tremendous advantage and exert their influence in favour of their supporters and relations. Political corruption has scaled unprecedented heights. Here is the most authoritative statement from India's strongest leader: "Both inflation and corruption were increasing and were eating into the very vitals of our society. But while inflation was statistically provable, corruption was not. Its pervasiveness could only be felt". (Mrs Indira Gandhi).

The "quality and calibre" of the Indian politicians has suffered a serious set-back in the years following Independence. Their eyes have gradually turned more and more to "the loaves and fishes of office". All their energy have been expended on "capturing positions of power and authority and on clinging to such positions as long as possible. This, incidentally, explains the multiplying public discontent and distrust of the politicians, in general, and those in power, in particular. Outstanding public men like Palkhivala lament that the country is paying heavily for its foolishness in leaving its governance totally to professional, careerist politicians, for whom "politics is just bread and butter, a means of livelihood, or worse, a means of personal enrichment". Influential contractors, traders, businessmen, mill-owners, licence-holders, etc., who make enormous donations to the ruling political parties enjoy the patronage of their leaders. Many political workers have been reported to be in the pay of top-ranking

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industrialists. The growers of the principal commercial crops and the manufacturers of the essential commodities have their strong lobbies among the political parties.

The Administration

The success of planning rests decisively on the existence of an ample supply of able and technically qualified administrators, committed to development and not to the furtherance of a given political ideology or to their self-aggrandisement. In all spheres of life the pace of development will rely on the quality of administration, the efficiency and integrity with which it works, and the co-operation which it evokes among the people.

An inherent danger of democratic planning is that "unqualified and corrupt administrators will assume responsibility for resource allocation and perform worse than the market mechanism" and that "goals will be set which far exceed the capacity of the country to achieve them, resulting in widespread disillusion with the planning process".

Recently Prime Minister Mrs Indira Gandhi, criticised the bureaucracy for holding up the progress of the country, causing frustration among the people, and for being responsible for corruption in public life. She stated that the simplest administrative matter got delayed because of inconsequential bureaucratic objection. Much before her there has been trenchant and regular criticism of the administration by different quarters. A foreign expert Maddison, concluded his study by saying that the Indian economy is "less feudal and more capitalist now but it is a bureaucratically controlled and inefficient capitalism". Distinguished journalists (for ex., Karanjia) hold poor administration or downright maladministration responsible for much of the backwardness of the country. They insinuate want of integrity, efficiency and responsiveness in the administration. It is also alleged that the hierarchical edifice of bureaucracy is no less accountable for inhibiting quick decisions. Red-tapism and a lackadaisical attitude, dilatoriness and a stress on tortuous procedures are characteristic traits of India's bureaucratic culture. The basic flaw is that the existing administrative machinery took root long before the present political system was thrust upon it. It was ill-prepared to bear the strain placed on it because of "the transition from a night-watchman state to a development-oriented one". This has turned out to be "a crisis-predisposing factor". Our administration has not been in a particularly strong position to discharge its vast responsibility at the grass-root level.

Low public morality in India has often been compounded by administrative incompetence and corruption. However, we should not forget that failings like reluctance to act except when financially gratified (what is termed "speed money") are "by no means the prerogative of mandarins of the Indian civil service: those habits

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extend from the lowest peon to the highest rungs of the administration". This is the hall-mark of our contemporary *Pairvi Plus* system of getting things done. Diagnosing this malady, Enke remarks, "In many backward countries Government officials, whose salaries are constantly being eroded by inflation, are strongly tempted to supplement their income by improper means, reared as they have been to place family first". Baig is outspoken: "The rigmarole of form-filling and shuttling from one desk to another to get anything done gives rise to corruption. To get anything done quickly, people bribe. To save time, people bribe. To see an officer urgently, people bribe. This again is an old feudal procedure at work: Exploit the one you can bully". The Santhanam Committee on the Prevention of Corruption wrote in its report (1964), "The scope for corruption in respect of construction works and supplies has considerably increased". Between 10 and 40 per cent of the public sector Plan outlays was siphoned off by contractors, civil servants and politicians. So far as the private sector is concerned, the businessmen have found it more profitable to ingratiate themselves with the administrators than to manage their concerns with undivided attention. Collusion yields rich dividends via evasion or erosion of controls.

Let us now turn the spotlight on the members of the administration and try to appreciate their point of view. All accusing fingers seem to be directly pointed at the civil servants. When the ministers blame them for the economic stalemate or chaos, they cannot answer back in self-defence; their code of conduct comes in their way. The love between politicians and civil servants began waning around 1962. The homogeneity of outlook and beliefs between them was sapped. The process started first in the States but soon caught up at the Centre (Mitra). As a rule, a public servant has to stand outside the arena of political life. In the last few years the people in power have induced and encouraged the services to be "committed" to the mandates of their respective political parties. Promotions, transfers and postings have been used to this end (Rao). In Dubhashi's view, "the administrator of today is a victim of political pressure".

In addition to the impairing of morale of the civil servants, there is the blunting and weakening of their normal incentives to good and keen work day by day. One obvious reason is that the arrangement for assessing the work of an individual official and for encouraging him if his work is satisfactory and warning him or even punishing him if it is otherwise have fallen into disuse. Now-a-days reports on the work of individual officials mostly adopt the easy course of neither blaming nor praising. Sufficient notice is not taken of defaults of duty and there is excessive tolerance of bad performance. This has tended to blur the distinction in terms of reward and punishment between those who are eager and painstaking and those who are indolent and careless. In no field do persons who have the requisite ability feel assured that if they do outstanding work, they

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would be promoted to higher levels of responsibility. Considerations like caste, community and region have assumed ascendancy everywhere. No officer is prepared to risk his honour and self-respect. There have been many cases of physical assault of the reporting officers by those reported upon.

III. THE SOCIAL RETARDERS

The Social Setting : Changing Technology

Changes in the Indian society are noticeable in modes of living, social behaviour and a general increase in the spirit of acquisitiveness of the people. In the rural areas the peasants' mental outlook and physical environment have been partly transformed. Agriculture is changing from a way of life, a means of providing oneself with subsistence, to a business where every improvement is a prelude to another improvement.

Agriculture, the largest part of the decentralised sector, is itself being brought into organic relationship with the modernised sector through a more extensive use of new inputs and the spread of rural electrification. One heartening feature is that the response of farmers to the new technology is limited only by our capacity to reach them effectively. In certain regions of the country the gentlemen or capitalist farmers grow high-yielding and low-yielding but better tasting varieties side by side because profits are more important to them than total production . The average farmer has taken to improved farm practices as readily as to non-traditional farm inputs. Despite generations of exploitation, the will to progress is evident among the disadvantaged sections of the rural community too. Ignorance and illiteracy not necessarily mean that village folk are not interested in making money.

Since Independence the incentives for private investment in agriculture have increased. More farmers have title deeds of their land. Better credit and other facilities are available. There are new technological possibilities.

The technological change in agriculture has led to improved production and productivity and a greater stability in the output of several crops.

Nevertheless, the expected returns from further investment in productivity-augmenting technology by the capitalist farmers has to be set off against the expected rent from leasing-out of land plus interest accruing on money lent. After a point, the former may turn less attractive.

In the village and small industries the promotion of new skills and technology has progressed considerably. On the other hand, multinational corporations have tended to provide technologies

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mostly suited for high-sized industrial plants. The result is that although technological progress in India has not by-passed the small and medium sector, it has affected them adversely by furnishing the large-scale sector with a competitive edge. The consequences of this phenomenon are seen in the high capital-output ratio in the manufacturing sector. Were we to take into account the infra-structure that requires to be developed to buttress the growth of this sector in a few metropolitan centres, the ratio will be still higher.

Public Ownership of Means of Production

The attainment of the objectives of equality and social justice requires comprehensive planning and command of the Government over the productive resources. Stepping up of investment in the public sector is presumed to enable the country "to undertake a larger and bolder agenda of work". The extent to which an efficient public sector succeeds in preempting productive activity for itself, to that extent it also succeeds in curtailing the scope for accumulation of wealth and large incomes in private hands. Subsequent to the Third Plan, only limited increase in the public sector industrial activity has taken place. This de-emphasis has been activated by the failure of the public sector enterprises to yield substantial resources for their continued development. This apart, the share of the public sector in the total output of the organised industry and mining has grown from 8 per cent in 1960-61 to 30 per cent in 1975-76. Nearly 60 per cent of the total public outlay on industry was on the public sector units. According to an estimate, during 1961-71 the annual current rate of investment in the Central enterprises (excluding railways, posts and telegraph, and the Damodar Valley Corporation) was about Rs 400 crores, which exceeded the investment in the entire non-Government corporate sector.

True, the public sector has grown in range and volume and is occupying the commanding heights of the economy. But the fact remains that its role in our country has been confined to providing a heavy industrial base for private capital in the name of socialism. This industrial strategy is alleged by critics to have served "as a surrogate for social change, without its promoting equality or growth". It has not aroused any opposition because it has not conflicted with the vested interests.

It cannot be much of a source of satisfaction even for the public sector enthusiasts that whereas the aggregate investment in the sector has gone up from Rs 29 crores in 1951 to Rs 18,225 crores in 1980, the rate of return which was 3.9 per cent in 1970-71 has declined to 1.4 per cent in 1979-80. As someone has said, "It is not so much the peaks as the marshes of sick units that have been the conspicuous feature of the public sector".

The nationalisation of banks has effected a remarkable change in our economic structure by restricting the scope for the mono-

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polistic operations of the privileged few. The increasing capital-intensive nature of industry and relatively high corporate tax rates have raised the dependence of the organised private sector on the term-lending financial institutions. This has meant that the role of these institutions in financing new ventures has expanded spectacularly, and with it has grown their power to determine the pattern and structure of industrialisation in the country. This is a task for which they were not installed.

Changing Rural Landscape: New Agrarian Relations

The most striking institutional change in agriculture since Independence has been the removal of the last layer of the fiscal intermediaries, the landlords. The chief beneficiaries of this change have been the old occupancy tenants or tenants-in-chief of the landlords.

The right to property was a fundamental right before. It has now reduced to a mere Constitutional right.

In India the policy of attempting to improve agriculture by means of pumping more and more resources in it, while not trying to transform the property and production relations in land expeditiously and effectively has involved a colossal wastage of resources and rendered the rural society more inequitable. The social balance there has been upset.

The main reason for the underutilisation of the ground-water resources in the eastern part of the Indo-Gangetic plain and the deltaic regions is the prevailing agrarian structure therein. It is no accident that the home of the Green Revolution is the Punjab-Haryana region, where the bulk of the land is cultivated by owner-farmers and where 80 per cent of the ground-water is exploited. Although opinions may diverge, yet the general view is that the given tenancy system in the eastern States of India is a serious impediment to increase in agricultural output. This is so because the access to resources is bound to be unequal in a society which is "fractionalised into hierarchical strata with unequal economic and political power". This engenders apathy and distrust among the major section of the rural community and impedes the intensity of their participation. Revolutionising any instrument of production calls for revolutionising the relations of production, which, in turn, calls for revolutionising the whole array or complex of relations of society. Thus a revolution in the economic base churns up the entire social superstructure. "Inequality of income is the form taken in our society of a more fundamental inequality—the inequality of power." Untold possibilities of rapid growth of output are latent in the discrepancy between the huge potentiality and the actual performance of land and labour in our rural economy.

It is but natural in view of the political power structure obtaining

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in India that the needed resolute and unambiguous political will to bring about effective land reforms is not forthcoming. The Government appears to have lapsed into complacency after the first flush of its success in weeding out the feudal intermediaries completely. The gap between the legislation and the execution therefore is wide. It is pointed out that "the final package of land reforms which emerged in July, 1972 proved a considerably water-down version of the recommendations of the Central Land Reforms Committee, and even this marginal reform was stalled in implementation."

Food and land reform have been regarded as "the two great levellers of Indian politics". On being faced with the hard choices involved in deciding upon future food or land reform policy, the political parties in the States have drawn the dividing lines, not on the basis of ideology, but on that of respective self-interests, there being no writ of a single party in power at the Centre and in the States for quite some years.

Land reforms in this country have been delayed or not implemented efficiently or thwarted by fictitious records and spurious transfers of land. They have got bogged down in legal tangles and unwillingness of the landed class to relinquish their privileged positions. This class is capable of " a sustained rear-guard action" against the actual implementation of the legislative measures, having its roots struck deep in the rural society, being "the recruiting base for the intelligentsia", and its members fanned out in all walks of public life.

India's imperative need is an economic upsurge to be ushered in the rural sector by snapping the institutional chains that shackle the energies of its poor inmates and hence readjusting the relative positions of the peasants and landlords in the existing property and production frame-work. This will appreciably relieve the political pressures and social tensions characterising the rural areas at the moment. However, this upsurge should embrace not only redistribution of land but also the entire outfit of pre-requisites of efficient cultivation. In other words, it must enshrine a re-apportionment of the given power relations in our rural society.

One of the several factors that have conspired to aggravate the prevailing rural disparities is the tardiness in the matter of implementation of the land reform measures. Another that has contributed to the same effect is the new agrarian technology. This technology has generated growth and prosperity but it has at the same time indirectly widened the gulf between rich and poor in India, that is, between those having resources and those not having them. The danger of a sharp polarisation between the more and the less privileged classes is real. Ladejinsky shows in his study how owing to this basic reason even in Punjab, which is the cradle in India of the Green Revolution, only 10 to 20 per cent of all cultivators have

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in fact, profited from it and the income disparities have been exacerbated.

The Class Composition in Indian Agriculture

For the country as a whole during the three decades of planned development there has been no significant change in the proportion of labour force dependent on agriculture. So far only 10 to 11 per cent of the net additions to the labour force have found employment in the organised sector; the rest have drifted into part time employment in the rural areas or the informal sector of urban industry and trade, or have become chronically unemployed.

In 1970-71 the number of holdings reported was 70.49 millions. Of these, about 49 million belonged to the category of small farms of 2 hectares or less. Most of them were non-viable and their owners fell into the same category as landless labour. They could not be fully employed on them. Agricultural labour constituted nearly one fifth of the rural work-force and half the agricultural labour house-holds were landless and had no asset-base as such. They were the most underprivileged and malnourished sections of the population. They faced seasonal unemployment, low and uncertain incomes.

The National Commission on Agriculture warned in 1976 that the concentration of land in the hands of the more affluent farmers continued to be intact. The share-croppers were still victims of social oppression and economic bondage. The number of landless labourers had increased from 18 per cent to 30 per cent of the rural population between the 1950s and the 1960s. The proportion of owner cultivators had declined. An annual addition of 1.5 million to the agricultural work-force implied 53 million landless labourers in 1978.

The social handicaps of the agricultural labourers and the people belonging to the backward classes have greatly diminished on account of the various measures of social reform taken since Independence, although the village economy remains entrenched in a scheme of stratification largely based on caste and occupation. The low educational levels and deficiencies of skills hindered the employability of these sections.

Rural Tensions and Conflicts

The much-vaunted natural harmony of interest within the village community has been a myth, more so since Independence. Within this community there is a four-fold hierarchy of rural capitalists, working proprietors, share-croppers and landless labourers. Their interests are at logger-heads. The community has been showing unmistakable signs of considerable strain. Remnants of feudal and semi-feudal systems, such as considerations of caste, family status,

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orthodox customs, etc., are there, all the same, though diluted in varying degrees.

In certain rural areas "a state of insurgency" has developed with well-directed campaigns of violence against certain sections of the cultivating class, mostly the weaker ones. Laws enacted to protect the land owned by these sections from alienation have not been effectively implemented in various States. As a result, a large number of such people have been dispossessed of their land by the money-lenders and others. Their patience is wearing thin and they are not in a mood to be "left out in the cold." They are flocking to the camps of the Naxalites, who have launched a crusade against poverty and exploitation.

Unless there is a determined and dexterous social engineering effort, rural tensions are bound to mount up in the wake of widening disparities. Seasoned administrators (e.g., Jacob) have contended that the *Panchayati Raj* has not helped but rather hampered community development by making bickerings and feuds of the election period permanent enmities among people divided on caste lines. The agricultural labourers too are becoming conscious of their rights and the capitalist farmers are reading the writing on the wall. Before long the last thing we can find in rural India is "peace and quiet", as surmised by Thorner.

Lately, the relatively well to do farmers have worked up agitation in different parts of the country. They are those who have their surplus produce to sell in the market. So they have a class interest. Their is basically a producers' movement. They want prices for their products raised, procurement levies slashed, marketable surplus to be invested in the rural sector itself, *benami* landholdings owned by them recognised, subsidies on farm inputs enhanced, old debts written off, power tariff and irrigation charges and betterment levies scaled down, more credit at the reduced rate of interest made available, and so on. All this has been pre-planned to ruthlessly nip in the bud any contemplation of imposing an income-tax on them. Needless to say, these farmers wield considerable political influence. They control the vote banks in their localities. They finance the election and other expenses of the political parties with which they have "recognisable affiliations". Their political connections, "economic clout" and caste affiliations with officialdom enable them "to hog co-operative and other credit and corner supportive facilities" (Jagannathan). They dominate the "farm lobby. No States dare touch the agricultural sector. On the contrary, all States extend to it as many concessions as they can, irrespective of the deficits incurred by them.

Increasing Concentration of Economic Power

Concentration of property ownership has clearly increased. The assets of the top twenty business houses rose from about

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Rs 2,500 crores to Rs 4,500 crores between 1969-75. According to another indicator, in 1966-67 they accounted for 61 per cent of the paid-up capital of all joint-stock companies; in 1972-73 they accounted for 68 per cent. Four firms together controlled more than half of the total sales in nine industries including steel, petroleum, transport equipment, cement, synthetic fibres, paper, food products, cigarettes and rubber products. In the first two industries production was concentrated mainly in the public sector. In the last seven industries private houses controlled the bulk of production.

The monopoly power enjoyed by a few firms, "sheltered against competition by licensing", enables them to make enormous profits by keeping prices high and production restricted. The "downward rigidity of industrial prices" and a transfer of income from the consumers to the monopoly producers are the net result of this. We can add to this list the deterioration in the quality of goods, elimination of small producers, and immense power to corrupt the public officials. Over 72 per cent of the profits earned in industrial enterprises is explained by monopoly power and inflation (Sarker). A "tacit alliance between state capitalism and influential business interests" has given an impetus to lop-sided, unbalanced industrial growth, and done nothing to prevent growing penetration of the economy by foreign capital.

The Emergence of a New Class

Shenoy took great pains to labour his thesis that the only progeny of inflation and state capitalism in India during the period of planning has been "a new class of the rich", whilst the conventional middle-class has been driven to the walls. Moddie has expressed the same idea somewhat differently: "The growth of a strong, modernised middle class is being stunted by the the continuation of the past political and economic policies."

The new rich class is composed, by and large, of the self-employed persons in the economy like the capitalist farmers, businessmen, manufacturers, traders, operators of the private means of transport, etc. The Government policies have consistently favoured them, and the lion's share of the gains of development have accrued to them.

There is some disagreement among the Indian authors on the perimeter of this new class. Malkani excludes the salaried people from it, whereas Jha includes them in it. The latter designates it as the "intermediate class". He argues that the most important factor behind our economic malaise is the rise to dominance of this class. This class has profited a great deal from the regime of scarcity, and hence price-hike, and the clamping down of controls, right and left on the economy. Its share in the national income has been rising. Jha puts its strength at 20 million, and multiplies it by 8 to 10 times by including their dependants and relatives. This makes it the most

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dominant class in our society numerically as well. From this follows its unique might to steer the course of politics in the country. On the whole, it has the "upper caste" bias in the society. Masani fears that this class is growing so rapidly that it is sure to destroy itself under the pressure of its own weight or owing to its inner contradictions.

This class is responsible for concentration of employment opportunities in the families of its own and those closely related to them. Thus they promote the vicious circle of casteism, which is a menace of unequalled magnitude condemning many able and promising people to inferior posts and blocked careers.

The Indian Intellectuals

In the majority of the Indian opinion, the Indian intellectuals are a demoralised set, easily purchasable by the powers-that-be. They are "prepared to do anything for those in authority or political power, provided the latter are in a position to throw a few crumbs to them". They may be acutely conscious of the raw deal they might be getting from those in government. They might be isolated from the brain-trust or think tank endeavouring to translate the ideals into reality. They might be unemployed and hence in dire straits. They might be receiving doles from the Government. They might be feeling pained at the poverty of the people around them. But they cannot allow themselves to be provoked into becoming an instrument of a drastic, seminal change in their society. Why ? Because they ordinarily have a middle-class background, and because they are "poor relatives of the Indian bureaucrats". So very powerful is the impact of the vested interests on our social set-up that on acquiring leadership or status, even the have-nots become part and parcel of the establishment of the haves (Misra). They are "anything but material for revolution". They are ill-equipped mentally and morally to guide the nation. They are over head and ears in the cut-throat competition amongst them to snatch the loaves and fishes thrown to them. In some States the rank casteists, the "caste monks", come in the largest number from amongst these intellectuals. They join hands with their brethren in politics to acquire a monopoly hold on posts along caste lines, and the vicious circle of casteism becomes wider and wider. "Caste, which was evolved on the basis of occupation and which was meant to bind together society, has lost its economic meaning. But each caste represents a political vested interest, and loyalty to caste is stronger than loyalty to the nation." (Karanjia). Birth in a politically and socially weak cast is life-long disqualification in India. It is a permanent drag on a man's career. Oddly, we all know this but we are doing nothing to undo this malpractice.

The Popular Discontent

A mood of cynicism has seized the people. A feeling of deep

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resentment and frustration prevails. There is disenchantment with planning. There is no assurance of a future. The country is in a state of perpetual turmoil. Unrest, violence and law and order problems are facts of our daily life. People do not hesitate to take the law into their hands. Pressures are tearing the social and political fabric into pieces. Mass discontent expresses itself at times in extra-parliamentary forms. The acknowledged system of a clean administration, rational socio-economic policies and secular, democratic politics have been shaken to their very foundations. There are forces at work trying to exploit the popular discontent. A new aggressiveness unknown to our society so far has emerged. In the words of Karanjia, "All the idealism and fervour of the freedom movement, all the fiery patriotism of the thirties and forties have given way to cupidity, to the thirst for power and to an all-consuming passion to grab everything. Freedom has meant the freedom for this self-seeking leadership to monopolise power and the benefits flowing from it."

What could be causes of this mass discontent ? Firstly, there is increased awareness among all sections of the people of their rights; the exploited would not let them be exploited any more and would not submit to further indignities. The poor are aware of their poverty and the affluence of the rich in their midst. As the fruits of progress have been monopolised by a few, disparities have widened. The struggle between the privileged and the unprivileged classes, the haves and the have-nots, the upper dogs and the underdogs has become keener and more intense. People notice how anti-social activities yield fortuitous incomes, how the "servants of the people" on securing authority and power indulge in conspicuous consumption at the cost of the public exchanges, while the teeming millions wallow in equally conspicuous poverty. Secondly, the credibility gap between parliamentary politics and socio-economic reality has widened. People have come to doubt the sincerity and dedication of their leaders to the professed goals of a socialist state. They lack patience and cannot now wait any longer for their legitimate share. Their cumulative economic hardship has surpassed all limits of endurance. They have seen how all the promises made by the political parties in the last thirty-three years have proved false. Thirdly, our masters have failed grievously to implement decentralised planning in an orderly fashion. They have failed miserably to motivate the people and to generate in them favourable responses to planning. The present arrangements of decision-making give the common man no sense of participation, involvement or commitment. They think that planning is the Government's concern; they are the mere recipients of its benefits. The conception of planning in India is not "planning by the people" but instead "planning for the people" (Verghese). Many willing persons have been rejected as administratively "untouchable" because they have not been of the caste men or the sycophants of the ministers in charge of planning. As a corollary,

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we have the non-existence of an identification of the self-interest of the individuals or particular groups with the general interest of the community, as also absence of "a conscious and willing acceptance on the part of the common people of various structural changes inevitably associated with a fast changing economy". Fourthly, the near-collapse of the administrative machinery to overcome scarcities and consequential price escalation, its inefficiency and rampant corruption, and so on have whipped up mass discontent.

In addition to these economic causes, we have social and political causes. In the first place, the democratic norms of a civilized life have not struck firm roots as yet in our country. When people get angry, they are apt to magnify their own rights and grievances and to forget the rights and grievances of others. Secondly, the political parties have believed in violence as a permissible way of redeeming their real or imaginary wrongs. The citizens have helplessly allowed determined anti-social elements to dictate their ways of life. There has been much and frequent pampering of the agitationists by some of the State Governments. Thirdly, the divisive forces like casteism, communalism, regionalism, representing narrow and sectional interests have had no less a hand in fomenting discontent. Fourthly, the framers of the First Plan had the prescience to pinpoint an extremely vital cause: "Corresponding to each stage of development, there tends to grow a certain economic and social stratification which is conducive to the conservation of the gains from the use of known techniques. Such stratification has a part to play in social progress. But, beyond a point, it hampers innovation and change, and its very strength becomes a source of weakness. For development to proceed further, a readaptation of social institution and social relationships thus becomes necessary." The failure of the Government on this front is a primary reason. The basic premise of democratic planning in India is that "society can develop as an integral whole and that the position which particular classes occupy at any given time can be altered without reliance on class hatreds or the use of violence". In unison with this premise there has been "no intention of contriving reprisals against these classes which have come to be associated in the public mind with the inequities and deficiencies of the old order." It bears no repetition to say that this philosophy of the Government has created such a situation over the years that it cannot be easily retrieved by it at all.

Absence of Work Ethic among People

Attitudes favourable to diligence are also favourable to economic growth. Economic growth requires that people should be willing to work conscientiously. Extra output originates from harder work, greater thrift and more aggressive innovativeness. This is the familiar Calvinistic ethic. Material progress exacts hard physical and mental labour. The vicious circle of poverty, unemployment

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and low productivity in an underdeveloped country can be broken only by a tremendous emphasis on the maximum possible contribution by each and every participant in the process of production.

In India, the hunger for well-being is not on a par with the will to work. In the case of most people the motivating force for work is to provide for their children. The work ethic among the people has been steeply eroded. The output of large proportion of employees and officers is on the low side both in terms of quantum and quality. This is indicated by the back-log of work in various operational and functional areas in almost all public institutions. Taya Zinkin put it appropriately, "I have never seen a country where people have to work so hard at the top and so little at the bottom."

What could be the genesis of this? Nirad C. Chaudhury attributes it to our aversion to labour: "Faced with the two alternatives, viz., a high standard of living with extra labour and effortless living at the subsistence level, people choose the second course". He adds, "To the Indian people all physical and mental exertion is an evil...to be reduced to the minimum." He concludes, "In every walk of life there is a tendency to rest on the oars, and to live on the little capital of position and reputation once acquired". Baig is equally emphatic, "Work as such has never been given pride of place in India's history. The honest simpleton has invariably worked with little recompense or hope but the wise have opted for no work with recompense". According to him, search for power and its acquisition have been a far more fascinating object than impulse for work. This vestige of the feudal mentality dies hard.

Aside from this apathy and law value assigned to work, there is the other factor of "a spirit of futility of effort" and "a sense of defeat" welling from mass discontent and deep mistrust and suspicion. When a hard-working man finds that his hard work is not rewarded, whereas a shirker, or a bluffer, or a wriggler manages to get promoted because of his contact with the authorities, he loses heart and sinks into indifference and apathy.

A third reason is the total break-down of the mechanism of reward and punishment. Wherever we have a code of conduct or the practice of maintaining Confidential Conduct Reports, we have there mere paper-tigers, due to unrelenting resentment against all forms of discipline and authority. People think they oblige their employers if they work even for the few hours that they do.

Another factor responsible for this, which is the product of a latter-day development, is the introduction of what has come to be called as a running scale, whereby a public servant gets promoted automatically to the higher post and hence receives the higher pay-scale after a certain number of years, whether or not he adds to his qualifications and improves the quality of his work. The conscience of a worker serves as a useful surrogate control but when conscience

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is pronounced as an unwanted commodity, this control becomes superfluous. "The net result is a collapse of the hierarchy in administration—the lower staff do not pay any deference to the higher. They have a direct access to the minister in charge, and so they care a damn."

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Some recent trends in public expenditure in India and their implications for economic growth

The basic aim of Indian planning is to raise the standard of living of the people, especially of the less privileged, less prosperous sections of our society through an integrated process of increased production and rational distribution of added wealth. The establishment of the socialist pattern of society (vide the *Second Plan*) or the socialist economy (vide the *Third Plan*) in India has three principal aims to achieve, namely, (1) Removal of poverty and provision of a national minimum; (2) Reduction of inequalities of income and wealth; and (3) Provision of equal opportunities to all. It is intended to give a more precise content to the Directive Principles of State Policy enshrined in our Constitution and to represent a large advance towards the realisation thereof.

The Sixth Plan will endeavour to step up the share of the poor section (a) in national income consumption and (b) in the utilisation of public services. More purchasing power will be put into the hands of the rural people through a number of programmes and schemes, the object being a sharper redistribution of national income.

In recent years non-development expenditure has shot up more rapidly (eight times between 1960-61 and 1975-76) than development expenditure (five times during the same period) in India.* Development expenditure is divided into two parts : (A) Expenditure on social and community services and (B) Expenditure on economic services. (A) far exceeds (B). Expenditure on education has increased much more than on other items under (A).

In actual practice, development and non-development expenditure cannot be separated in many fields, particularly in that of social services, with the result that part of the development grants are diverted directly or by subterfuge to normal expenditure and a

*This trend relates to the States as well as the Centre.

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considerable portion of the loans is spent on unproductive investments like costly buildings. Maintenance (recurring) expenditure on social services in one Plan period is treated as committed (non-development) expenditure at the end of that period and incorporated in the non-development part of the budget.

Current expenditure undertaken for pushing up the scale of developmental activities, financed through borrowing, is regarded as non-investment expenditure since it does not result directly in the creation of productive assets.

In terms of percentages to total public outlay the allocations to social services in a succeeding Plan might be the same as in the preceding Plan, but in absolute terms they are significantly larger. They would turn out to be still larger, were allowance to be made for the committed portion of the expenditure on them not included in the current Plan. In other words, in assessing the relative importance attached to social services both development and non-development outlays should be considered together.

"Social Services" include education, health, housing, urban development and "social welfare" (that is, welfare services). "Social Welfare" relates to the welfare of the scheduled tribes, scheduled castes and other backward classes; to rehabilitation work; and to child welfare services. The Second and the Third Five-Year Plan had included prohibition also in their social welfare programmes.

Welfare services are directed, in particular, towards those sections of the community which need special care and protection. In developing them, the object is "to replace individual and haphazard relief and charity by organised and sustained activity for education, welfare and rehabilitation undertaken with the general support of the community". "Institutionalized" welfare services are an indissoluble part of the socialist pattern of society in India. They express "the concern of the community for the welfare of its many vulnerable sections and emphasise an essential value in national development". Their significance extends beyond "the range of services established or the extent of resources utilised". Or, as Titmus puts it, "They are manifestations, first, of society's will to survive as an organic whole and, secondly, of the expressed wish of all the people to assist the survival of some people".

In some States (e.g., Bihar) such welfare measures include (a) payment of pension under the Social Security Scheme to widows, old and disabled, orphans and destitutes (i.e., the poorest segment of the population); (b) scholarships awarded to *Adivasis* and *Harijans*; (c) primary education incentive to *Adivasis* and *Harijans*; (d) food charges of inmates of residential schools and institutions run by the Welfare Department; (e) award of cash prizes and medals to brilliant *Adivasi* and *Harijan* students; (f) construction of hostels and houses for the weaker sections; and (g) welfare schemes for rickshaw-pullers.

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Expenditure on social services like education and health is an example of real or exhaustive expenditure because it implies the actual using-up of goods and services by the state. It determines both the level and character of production.

Expenditure on old age pension, pension to the former members of Parliament and State Legislatures, freedom fighters and political sufferers (which are latter-day developments in our country)*, scholarship, etc., is "transfer payment". "Transfer payments" are out-payments in cash having no relation to the services performed currently by the recipients for the government. They are unilateral transfers from the government to the individuals for financing their current expenditure, or better, for increasing their disposable incomes. They imply a transference of purchasing power or of command over goods and services from one section of the community to another. They represent an immediate increment to individual and/or family welfare. They do not directly influence either the level of production or its character; they have indirect effects on production and direct effects on distribution.

Social services play a large part in ensuring greater equality of opportunity to different sections of the population and greater social mobility. They help to bring about a measure of redistribution of income and provide the basic necessities. They make a positive contribution towards the improvement of living standards. They affect the ability of the beneficiaries as well as their desire to work, save and invest. They improve the productivity and earning capacity of the less privileged sections. For this it is assumed that when the benefits of development accrue in an increasing measure to the common man and the weaker sections of society, the forces of production are fully released and the full potential of growth is realised consequent upon their active involvement in the process.

Some of the programmes incorporated in the Plans for social services have been directly linked with the needs of general economic development. Examples are scientific research, technical education and the training of farmers and craftsmen, family planning and the provision for housing and urban development. Other social services, such as expansion of facilities for education, control of diseases, development of health and medical services, award of scholarships, supply of drinking water in villages and towns, and the provision of welfare services for the less developed sections of society, usher in technological changes and step up productivity by strengthening the educational base and improving the earning capacity and hence the living conditions of a large section of the people. Being initiary and

*In the passing, we may add that this system may stimulate and formalise the growth of "careerists" or "professionals" in Indian politics. Conceptually, social services perfomed by dedicated social workers, being unpaid for, fell outside the corpus of national income, but with this system in vogue, there has to be a change in it.

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cost-reducing in character, they create the necessary background for the expansion of production in the private sector. The usual antithesis between efficiency and equity does not arise in the provision of these social services inasmuch as they lead not only to a better distribution of incomes but also to higher levels of output.

Education is the most important single factor in achieving rapid economic development and technological progress and in creating a social order founded on the values of freedom, social justice and equal opportunity. Removal of widespread illiteracy and improvement in the facilities available in schools are notable welfare activities.

Increased social expenditure on education in India is lessening its upper caste and upper class bias. It is snapping the monopoly hold of certain groups of families on better-paid jobs. It is opening up wider opportunities for employment. It is speeding up the purposeful building up of an egalitarian society.

The spread of education is proving to be a powerful engine of change. Along with the working of the electorate system, it is exerting a far-reaching impact on the leadership pattern in the country, especially in the rural areas. It is drawing within the vortex of political activity those sections of the population which had remained aloof hitherto. It is prompting the emergence of new elites and groups, which challenge and at times supplant the authority and influence of the traditional leadership. The heightened political consciousness of the average, representative voter of today is being accompanied by the growth of a greater egalitarian sentiment.

Supply of protected potable drinking water (water-borne diseases account for an annual loss of 73 million working days in India) to nearly 4.17 lakh villages (out of 5.7 lakh villages in India) which do not have access to it within a distance of 1.6 Km., immunization of the rural folk against endemic, communicable and wasting diseases through the provision of health and sanitation facilities of a preventive type, and eradication of malnutrition among the children (it is reported that death from diseases like diphtheria is faster and less painful than slow deaths caused by malnutrition, beside the fact that in conditions of malnutrition diseases spread with alarming rapidity) will not only lead to higher levels of productivity on the part of the low-income groups of people but also enhance their life-span by improving their quality of life. Already, advances made in these directions have raised the average life expectancy in India from 26 years at the time of Independence to 52 years as in 1980. Lowering of the infant mortality rate has resulted in less wastage of resources invested in the bearing and rearing of children.

From the foregoing discussion it should follow that although economic development brings about an improvement in the quality of human life because it stands for growth plus change, yet an

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improvement in the quality of human life can itself be used as a vital instrument of economic development.

According to demographers, one effect of this appreciable improvement in the expectation of life has been that the appetite of the peasant has been whetted for acquiring durable assets. He now plans for long-term investment. His consumption horizon has suitably altered. Similarly, the recent rise in the survival rate of the population has, on the one hand, lowered the stock-piling of children for fear of loss of some of them and, on the other, rendered investment in their education more attractive.

Determination of the proportion of resources allotted to the expansion of social services is "a matter of broad political and social judgement". The stress on social services does admittedly reflect a response to pressures emanating from the political process. In our country there has been an increased reliance of state action on them because the moulding and refashioning of the existing framework of economic and social institutions so far has been extremely tardy. Secondly, to an extent, our emulation of Western achievements has actuated us to adopt a number of welfare measures, which in the case of the economically advanced nations came only at a very late stage of their economic development. Thirdly, the accent on social services is also as much an outcome of rapid population increase. The population problem, "a development myth" as it is to economists like Colin Clark, is responsible for pre-empting a sizable chunk of the growth in our productive capacities. More expenditure is required to just maintain social services at their existing standards. The high percentage of dependency (in 1971 in India 41.4 per cent of the population was in the age-group 0-14 and 5.2 per cent in the age-group 60 and above; only 53.4 per cent was in the age-group 15-60) is a serious drag on capital formation. If the population increases at the rate of 2 per cent per annum, then nearly 10 per cent of the GNP has to be invested per annum in order to keep the per capita income at a constant level. An additional investment is needed for covering depreciation of the existing capital.

Transfer payments and subsidized government services are positive measures to promote a more even distribution of incomes and to eliminate poverty. They accomplish three things : (1) They act immediately on the distribution of real income and do not defer the achievement of a preferred distribution entirely to a future far removed. (2) They alone can be directed with precision to meet the income needs of particular groups like the aged and the disabled. (3) They make available certain aids to higher earning capacity later.

Supplementary income provided through cash grants, according to certain authors, is more effective in achieving the desired income distribution than through the provision of specific goods and services (i.e., in kind). It enables the "powerless groups" to partially neutralize

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the impact of inflation. The former may benefit the direct recipients as well as their children. The programme for narrowing inequalities focuses exclusively on the poor and needy. The provision of specific goods and services, according to others, does more to increase efficiency than the former, which may often be spent to less good purpose.

Some writers (Titmus, for instance) wonder whether social services are not temporary, *ad hoc* political mechanisms to ameliorate social conflict, to protect the rights of property, and to avoid resort to violence by the dispossessed and the deprived. They further wonder whether they are meant to buttress and legitimize industrial capitalism during its early, faltering but formative years of growth. Even in our country the poor have become intensely aware of their poverty, which, in a sense, is the product of their gradual exposure to the rich, and the Government has been trying to blunt the edge of social cleavage and to steal the storm of rebellious forces by incurring an ever-rising volume of social expenditure.

We have stated above that non-development expenditure has gone up faster than development expenditure. In this paper we shall be concerned only with three items of non-development expenditure viz., (i) continuous upward revision of emoluments (e.g., salaries, dearness allowances, etc., of the Government employees—Central and State, local bodies, universities, etc.); (ii) relief; and (iii) subsidies.

Both rising prices and rising taxation have cut into private savings. They have had a deleterious effect on the peoples' "nest eggs". The well-being of the salaried middle-class, which the late Professor Shenoy termed as the "new poor" has wilted. There has been a marked deterioration in the standard of living of the fixed income groups. In so far as the real value of wages and salaries has been eroded, these employees have felt constrained to agitate for successive increases in their emoluments so that they are in a position to stabilise their existing standard of living.

Despite the successive increases in their emoluments* their incentive to work and save has been impaired severely. In unison with the equalisation policy the employees in the upper salary groups are paid dearness allowances at diminishing rates. All told, a rupee saved today by these employees is at a far greater sacrifice than a rupee saved by them yesterday.

In their historic role as the Great Leveller the Governments in certain States (e.g., Bihar) have taken over private academic institutions and equalised the emoluments of the employees on par with those of their own on a wide scale.

*Certain strata of the *Salariat* class enjoy particular public services free (for example, their medical bills are reimbursed ; so are the fees of their school-going children ; they receive a house-rent allowance ; etc).

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Some States (e.g., Bihar) have had to write off *taccavi* loans, interest on the government loans, rent, outstanding power bills and sales tax on certified seeds in full or part. They have had to subsidize fertilizers, insecticides, spraying equipment and minor irrigation at rates which have risen. Industrialists have been granted capital subsidy and interest-free loans in lieu of sales tax and power subsidy. The entire State (as in Bihar) has been pronounced as backward for this purpose. Sugarcane prices have been raised, and so on.

During 1979-80, Rs. 2,500 crores were paid as subsidy to exporters and big farmers. The total food subsidy amounted to Rs. 600 crores in November 1980. Rise in the procurement price of wheat by one single rupee cost the public exchequer an extra sum of Rs. 7.5 crores as subsidy. In 1973-74 subsidies paid by the Central and State Governments (exclusive of the losses on irrigation and multi-purpose projects) worked out to 0.6 per cent of the G.N.P. In 1980-81 total subsidies formed 4.5 per cent of total Government expenditure and 7.8 per cent of total development expenditure. Annually Rs. 50 crores were written off as bad debts by the first set of fourteen nationalised banks.

Prime Minister Mrs. Indira Gandhi is reported to have observed that the decisions of certain State Governments to raise the prices of agricultural products and to write off dues should not have been taken under pressure of agitations or other events but rather should have been considered carefully and co-ordinated with those of other States and of the Centre. She is reported to have told the hundreds of thousands of farmers who had collected at the Boat Club in New Delhi for the Congress(I)'s Kisan Rally in February, 1981 that although some of their demands were justified, yet it was not possible to concede them because of economic constraints. She is reported to have warned that spending of the major share of the state income on any one section of our society would not be fair to other sections of it.

Distribution of relief via remission and writing off of the government dues is tantamount to a release of consumption and/or loanable funds. It will induce consumption and/or saving depending on the economic circumstances of the beneficiaries concerned. But its consequence for the credit system will be disastrous. In addition, in some cases it may replace effort and sacrifice, thereby proving counter-productive.

Subsidies are reverse or negative indirect taxes. They are an outflow from the national fisc. They eat into the resources needed for investment. They will encourage the consumption of the goods and services in question by lowering their prices. A regressive grant system tends to aggravate the inequality of incomes.

The Government has been pursuing a policy of appeasement, under unrelenting pressure, towards the demands by various sections

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of the community without insisting on a *quid pro quo* in terms of productivity. These sections have gained at the expense of other sections. If a large number of people return to the pool of national product less in terms of their effort than they draw from it as their income, the economy is bound to grow sluggishly.

Whereas peaceful methods have failed in certain instances to get reasonable demands conceded in time by the Government, methods of coercion and mob violence have yielded rich dividends later by forcing reversal of even irrevocable decisions. "A cult of violence" griped the nation every now and then. Situations have been rife in which people have felt that they could not get anything done without recourse to agitation. Only those who could articulate their discontent had it redressed.

From the Fourth Plan onwards the planners have been crying hoarse for making determined efforts to progressively contain and reduce budgetary subsidies to the barest minimum, but in vain. This has been equivalent to the distribution of public largesse, nay, political patronage to the not-so-poor. It has well served as a potent lever in the hands of the party governments. Even now it is unlikely that the advice of the authors of the Sixth Plan will be heeded to by the Government. If it were so, then a reduction in subsidies would have the same general economic significance as an increase in indirect taxes.

It is feared that a relative shift in priorities with a larger emphasis on non-development expenditure might cause such damage to the productive system as would jeopardise the task of development itself or imperil the very processes of a democratic and orderly change, which is the goal of state policy to strengthen. If past experience is any guide, it cannot be denied that a government with more money to spend may spend it extravagantly in an unanticipated and unjustified manner.

The net result of all this is that the sacrifices involved in the development process are not being shared equitably by all sections of the people in India. The obsession of the Government with "collective benevolence" runs the risk of placing an excessive burden on the shoulders of the taxed sections. Improving the quality of life of some sections at the cost of the quality of life of other sections in an economy progressing at a snail's pace is like freezing poverty at its existing level. Extreme financial prodigality on the part of a State Government degenerating into financial imprudence would push the State economy irretrievably to the brink of absolute financial bankruptcy.

The two halves (approximately) of the total direct tax revenue are collected each from the business sector and from the assessed individuals and families. The bulk of the indirect taxes is paid largely out of the same incomes that pay direct taxes. Not more than 6 to 7

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per cent of the aggregate agricultural income is taxed, whilst one-fourth of the aggregate non-agricultural income is taxed. The contribution of the agricultural sector to the public exchequer is not likely to rise in near future, for no Government is prepared to antagonize the rich agriculturists, the so-called rural elite, by making them pay in full for the services and inputs provided for them owing, in part, to the feudal milieu and the interaction of caste and economic power and, in part, to their tremendous power to influence or manipulate votes.

All in all, there is every likelihood that further increases in non-development expenditure will not be restrained and economies will not be effected. By the same token, welfare expenditure will grow. The pattern of our society will tend to be less socialist and more welfarist.* Apart from the reservation that the highest attainable rate of growth of an economy at any time may not be optimal from the point of view of the desired distribution of income, there is the stern fact that since incomes have been rising very slowly in India, the objectives of growth and social justice have become extremely difficult to reconcile under a regime of democratic planning, more so in the agricultural sector. When inequalities succumb but slightly to economic growth because of its slow pace, they have to be made to succumb appreciably by undertaking welfare expenditure in enormous amounts. The climate of confidence that "rapid economic development is the means both to social justice and to wider economic opportunities", which prevailed on the eve of the Third Plan was vitiated long ago. The Government cannot provide gainful employment (as contrasted with thin employment) to everyone who seeks work—the first condition for securing equality of opportunity and achieving a national minimum. At the turn of the last decade the planners had painfully admitted, "Available information does not indicate any trend towards reduction in the concentration of income and wealth. Nor is there any indication that there has been any lessening of disparity in the standards of living of various classes".

A Planning Commission study has shown that the bottom 20 per cent of the population obtains only 11 per cent of the Government spending, while the same percentage at the top shares 35 per cent of it. However, the contribution of the Government expenditure to the household income of the poor (with household income of less than Rs. 100 per month) is nearly 20 per cent as against 5 to 7 per cent for the top income bracket households (with household income of over Rs. 1,000 per month). The upper middle quintile has a share of 24 per cent, the middle quintile of 17 per cent, and the lower middle quintile of 13 per cent only. Thus, the bottom 40 per cent described as vulnerable has only 24 per cent share in the benefits flowing from the Government expenditure. Programmes, such as the Minimum Needs Programme and the Rural Employment Programme,

*The First Plan (Chs. v & vi) wanted the state to become a *welfare state*.

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have not got beyond the category of "income-augmenting relief measures". They have been allowed to degenerate into "acts of general benevolence, tokenism and lip-service". On account of leakages in the delivery system, ineffective administration, and the opposition of vested interests these programmes have failed to improve the distribution of income so as to benefit the poor. Instead of strengthening the economic base of the weaker sections these programmes have concentrated on mere welfare activities. The lumping of the very poor along with the relatively betteroff sections of the community in the development projects has hampered the percolation of benefits to the most deprived sections, as the framers of the Sixth Plan have realised belatedly. The Plans became "hortatory instruments of propaganda" and the planners indulged in "self-flagellation".

The "haves" have managed to appropriate most of whatever has been meant for the community as a whole. The main beneficiaries of the state policy have been big businessmen and manufacturers, traders and farmers, the stronger and more privileged sections of our society. The majority of the self-employed persons among these sections have not paid any income-tax and have, in fact, contributed substantially towards the perpetuation of the "parallel economy". One of the ends of public policy in late years has been fostering of self-employment by offering certain inducements. The new self-employed part of the economy has preferred to play safe engaging family labour rather than hired, thereby curtailing the base of wage in employment. It is chiefly among these sections that a competitive spurt in non-functional consumption expenditure on weddings, ceremonies and rituals has been noticed, matched only by the ostentatious living, often at public cost, of ministers and leaders.

The essence of economic development lies precisely in this that "unless increases in consumption are held in check to the extent required for realising the rate of investment, the expected increase in national income and standards of consumption cannot materialise".

The development process presupposes a modicum of sacrifice and forbearance on the part of people. They should be prepared to stake their present for the sake of the nation's future. Under a democratic system the government lacks the political will to force the people, who are accustomed to discount the future at a higher rate as compared to their present, to fall in line with its own low time preference and its "Up by the Bootlaces" approach. In consequence, the desired balance of incentives and restraints could not get built into our social framework uptil now.

We have noted above that one leading reason for the added emphasis on social expenditure is political. Although generalisations on the relationship between inequality and political instability are hazardous, yet the dependence of political stability on some degree of

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income equalisation appears reasonably clear, to quote Dahl and Leidblom. The people of a country may sometimes demand policies which are attractive in the short term but sinister in the long term, and with a view to appeasing them the government may resort to short-cuts and follow primrose paths. The inner-party factionalism breeding instability of the Governments in the States (and, for a period, of the Government at the Centre) in our country in the previous few years might have paved the way for such policies. Forgotten was the maxim that "the statesman is a trustee for the future, no less than the present. Individuals die; but the community, of which they form part, lives on. The statesman, therefore, should prefer a longer social advantage in the future to a smaller one today" (Dalton).

From a strictly economic point of view the lavish welfare expenditure coupled with the increased non-development expenditure will forthwith impinge on the supply of goods and services and set in motion demand pressures that will aggrandise the inflationary forces to the extent that they represent diversion of resources from investment to increased consumption that fails to augment the productivity of the people thus benefited. Developing economies are highly sensitive to small gaps in supply relatively to demand : a slight deficiency of supply pushes up prices steeply. Therefore, the Government should remain on its guard consistently in order to moderate the inflationary pressures.

We should also know that the process of human capital formation is not a very speedy process. It involves a considerable time-lag, a long gestation period. Returns on investment in human capital take long to emerge. To illustrate, the effect on the average skill of labour which is produced by an improvement in educational facilities is quite gradual. 40 per cent of the total population benefits in 20 to 22 years and 80 per cent of it in 36 to 42 years. But this is not all.

When higher education goes on expanding primarily for social and political reasons rather than on economic and manpower considerations, a surplus of manpower is inevitable. Moreover, higher education may intensify caste prejudices and perpetuate the given class distinctions, as has been the bitter experience of the people in States like Bihar and Uttar Pradesh.

Higher education is not "a sort of intellectual yeast", to borrow Myint's phrase, capable of fermenting and transforming the social structure of a developing economy by itself. Furthermore, as Myint correctly asserts, a wrong investment in material capital can be scrapped when it proves too expensive to salvage but wrong pieces of human capital cannot be so dismantled because they tend to be self-perpetuating and have the faculty not only of distorting but also of disrupting the social infrastructure.

In an economy facing chronic dearth of employment opportunities

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not only new forces appear soon working in the direction of bringing about concentration of well-paid jobs in a limited number of families and localities, but also the right to employment in several occupations, generally of lower grades, bids fair to become hereditary again partly due to trade unionism or philanthropic considerations (e.g., death of employees in active service). It is in this sense that employment can be stated to beget employment. Lastly, it may not be enough to rely on education to promote social equality. Education may precipitate rather than cause social change, as some recent studies have disclosed. Besides, it is competent to do so only in a situation where redistributive measures (including those of reservation of jobs for specific sections of the community) generate conditions conducive to social equality.

To conclude, a developing economy has to push up the rate of investment in material as well as human capital. Both types of capital compete for the available resources which are scarce. Therefore, the process of human capital formation has to be correlated to that of material capital formation. In other words, enhanced expenditure on social services should at least not appear unreasonable in the light of the general scarcity of resources.

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Recent trends in resource mobilisation in the Indian states and their implications for developmental planning

Resource-mobilization here refers to mobilisation of financial resources. Financial resources are "a part of the process of creation of physical assets." Mobilisation of resources is the crux of the problem of planning in an under-developed economy.

Here we are concerned with the problem relating to the Indian States against the background of their experiences of planned development in the last three decades.

I. ADDITIONAL TAXATION EFFORT

An important source by which the Indian States have to finance their Five Year Plan is the balances from their current revenues, which represent their savings out of their revenue receipts after meeting their current non-Plan expenditures.

In raising resources internally the States have first to look to taxation. The relative importance of additional taxation in resource-mobilisation by the States has been on the increase.

The Planning Commission has been setting the targets of additional resource-mobilisation to be undertaken by the States. Additional resource-mobilisation depends, among other things, on the flexibility of various taxes and on the rate of growth of the State economies. In order to estimate the buoyancy of the tax structure we have to correlate the tax revenue of a State with its income and population. A lower per capita income leads to a weaker tax effort, as is the case in the poorer States, whose tax effort (measured as a ratio between tax revenue and States income) is much below the all India average.

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A weaker tax effort leads to a meagre internal resource-mobilisation and this, in turn, leads to a lower total Plan outlay.

Tax effort by a State Government is defined in terms of tax revenue actually collected by it. There is a limit to taxation as there is to any other means. Furthermore, mere increasing of the rates of the existing taxes results in a feeble tax effort. In a situation in which the State Governments are enamoured of *populist* measures, to expect them to break new ground in the realm of taxation would be asking nothing but frustration.

The tax potential of a State hinges on the excess of its actual consumption over the minimum essential consumption of its population. The richer States have high tax yields but their revenue needs are low compared to the poorer ones, which have low tax yields but high revenue needs. Their net domestic saving and their net capital formation from it are both very low.

Past experience shows that nearly all States have been pleading with the Planning Commission that their Plans are of larger sizes than those the Commission has been inclined to approve of, by promising to raise additional resources internally to the extent desired but have been subsequently voicing their helplessness for the shortfalls in their efforts and asking for increased Central assistance to keep the size of their Plans unpruned. There are instances of the States relaxing their tax efforts in the wake of unconditional financial transfer and assis tance to them from the Centre.

The importance of tax effort in additional resource-mobilisation follows from the fact that those States, which have more or less equal per capita incomes, have sharply different per capita tax revenues. Likewise, some States with less per capita incomes have raised tax revenues in higher percentages than others with higher per capita incomes.

The richer States have achieved a good measure of success in raising additional resources from their taxes and non-taxes keeping the package of incentives and disincentives for the private sector in balance and obviating distortions in their economies as far as possible.

There is no denying the fact that by using their own taxing powers more vigorously the States can slash their dependence on the Centre. While they should realise that at some point or other the different modes of raising resources are interdependent (in other words, if in one situation more can be secured by way of taxation, then in another situation resort to non-taxation may produce a better result), the Centre should realise that the concept of the tax effort of the States as a percentage of their domestic income when their agricultural income is taxed the least is a misrepresentation of the facts.

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II. TRENDS IN STATE TAX AND NON-TAX REVENUES

In almost every State whilst the revenue from direct taxes has been falling, that from indirect taxes has been rising. The proportionate share of tax revenue in total revenues of almost every State has been rising, whereas that of non-tax revenue has been falling. *Sales tax*, *State excise duty*, *entertainment tax*, *stamp duty* and *registration fees* and *taxes on transport* have exhibited high degrees of elasticity in resource-mobilisation. Their productivity has been on the high side. The buoyancy of tax receipts of the States has been attributable mostly to them. On the whole, new taxes had added much less to the total revenues of the States compared to the existing taxes at their revised rates. The States have been flogging "familiar horses", as it were.

It can be asserted that the bulk of the indirect taxes are paid largely out of the same incomes as pay the direct taxes. Some of the indirect taxes, no doubt, affect the poorer classes but a great majority of them fall to those who have comparatively high incomes.

An average urban dweller contributes far more to the revenue from indirect taxes due to his higher consumption of commodities than does an average rural dweller.

Indirect taxation is regressive and an increase in it will involve an increased burden on the common man. Indirect taxes often impinge heavily on many basic consumption goods having low elasticities (price and income) of demand. For this reason, after a point, a heavy reliance on them results in a lack of buoyancy in the tax-structure. At least in the short run an increase in indirect taxation has a cost-push effect and aggravates inflation.

For promoting revenue, growth and stability it is imperative that the tax-base be broadened, that the tax revenue be more elastic with respect in income, and that there be a relative expansion of the role of direct taxes *vis-a-vis* indirect taxes. However, the bulk of the population in the Indian States is too poor to be caught in the tax-net, except by indirect taxes. Moreover, in a situation where the burden of taxation on the bulk of the community is correspondingly lighter, relatively small increases in the rates of taxation on it will help the State Governments to add significantly to their total tax revenue. Most Governments would continue to bank upon them heavily in view of their elasticity, revenue effect, administrative simplicity and broad base, although they do not always satisfy the canon of equity or ability.

There has been an organised move lately by traders and businessmen in some States to get sales tax abolished. The Union Government has a proposal to get certain goods (viz., vanaspati, drugs and medicines, cement, paper and paper board and petroleum products) included in the list of declared goods and additional excise duty in lieu of sales tax levied on them.

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The abolition of sales tax might entail several major problems for the States. In theory, it is possible to make up the revenue loss by an additional excise duty but the excises are already heavy (12 per cent of the gross output of the factory sector). An increase of 7 per cent in them, which the abolition of sales tax will necessitate, may not be acceptable to the same people as demand the abolition because they have also been demanding a reduction in the excise duties as well. A technical advantage of sales tax is that its basis is much larger than that of excise duty, which is generally imposed on commodities produced in factories. Sales tax can be effectively imposed and collected on any commodity, which passes through large wholesale traders.

We may suggest a differential system of *excise duties* that would impinge selectively on final consumption. It would be worthwhile to consider that if the consumers are being already charged the maximum price which they would be willing to pay for a piece of goods, then an increase in excise duty on it is likely to cut into the distributive margin, (which is a component of factor cost) rather than push up its price.

Sales tax yields maximum revenue in all States. It has turned out to be a 'money spinner', a 'milch cow', so to speak. Excise duties come next to it in yielding revenue. Slow industrial growth of the majority of the States means that industry contributes but marginally to the State excise.

One disadvantage of sales tax is that it tends to be evaded and the extent of evasion is fairly high. While excise duties embodied in the prices of commodities, sales taxes are shown apart from these prices. This knowledge prompts both resistance from the buyers and evasion under collusion between buyers and sellers. Over and above this, price inflation obstructs general raising of the rates of sales tax, though there is scope for suitable manipulation in the rates of particular sales taxes.

Some of the States have come out with a demand that the existing provisions of the Central Sales Tax Act for the assessment and collection of the tax are amended so as to pass on the right to the importing States as well. Already, Kerala has levied sales tax on certain articles coming from other States. Were the latter to retaliate, a needless inter-State squabble would develop.

Revenue elasticities of sales tax and excise duties are estimated at 2.4 per cent as against 1.5 per cent in the case of other indirect taxes.

There is no guarantee that in a bid to augment resources the States will go all-out for stepping up the rates of the existing sales taxes. In the poorest State in India, namely, Bihar in its 1981-82 budget the rates of certain existing sales taxes have been reduced and some sales taxes have been dropped.

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Before stepping up the rates of the existing sales taxes and before introducing fresh sales taxes the elasticities of demand for the articles in question and the consumption outlay pattern of the various income-groups should be studied so that the objectives of increased revenue and equity in taxation are reconciled.

The rate of *entertainment tax* is already very high and cannot be enhanced over certain limits. Large-scale transfer of urban land favours raising of the rate of *stamp duty* and *registration fee.*

Colossal illegal felling of trees and unscientific deforestation are a drag on the non-tax revenues ensuing from *forests.* The revenue of some of the poorer States, which are luckily endowed with abundant mineral wealth, from *royalties* is far from adequate. No State Government is empowered to increase the royalty rates.

Direct tax receipts from agriculture, chiefly through *land revenue* and *agricultural income tax,* in India constitute only one per cent of the net domestic product from agriculture. The contribution of taxes on agriculture has dwindled steeply in most States. Both land revenue and agricultural income tax have exhibited low degrees of elasticity in resource-mobilisation.

Land revenue is, in essence, a *tax-in-rem*; it is a flat levy. It falls on large and small landowners alike without any exemption. As such, it is regressive and unamenable to the principles of progression and graduation. The cost of its administration has been excessive (according to an estimate, 42 per cent of the receipts in Bihar). In certain States land revenue on holdings of small size and development cess on bigger holdings have been abolished. Alongside of this, owners of land of a certain minimum area and those of non-irrigated lands have been exempted from paying any land revenue. The receipts from land revenue have dwindled to a negligible figure everywhere. Experts have suggested that it be replaced by a progressive land tax based on the potential income of the farms. Could land revenue be made progressive, more resources would be raised from it.

Agricultural income tax has been replaced by large holdings tax in some States. In a few States there is cess and purchase tax on sugar-cane. In Bihar agricultural income tax has been abolished.

Local Taxation

Mobilisation of resources at the local levels of the State Governments is generally neglected. Local finance continues to play a very little part in local development. Local resources remain under-tapped because localities are not actively involved in planning. Reliance on income value tax on property in the urban areas and on sharing of land revenue in the rural areas has been the chief obstacle.

There is an urgent need for augmenting the resources of the local

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bodies through greater use of their tax powers, revision of existing local taxes, service charges, etc., and improvements in the machinery of assessment and collection of taxes. This will pare down transfers of funds to them from the State Governments for defraying their non-Plan expenses and thereby release more resources for the State Plans.

Reliance can be placed on the local bodies for taxing the rural sector. Development activities can be decentralised to them and they can be made responsible for financing them from the local resources. As the framers of the Sixth Plan write, "Innovative methods, including decentralization of powers and involvement of local community in mobilising additional resources will have to be adopted to tap a part of the surpluses generated in agriculture".

The market value of lands by the side of the newly constructed roads has risen phenomenally and the levy of a valuation cess on them can be thought of.

A proper valuation procedure for urban property taxation must be instituted. At present the annual values of the land and buildings in the urban areas are incorrectly assessed. This under-assessment is due to political pressure on the officers of the local bodies. A system of progressive taxes together with socialization of urbanisable land will help appreciably in mopping up unearned increments in land values, thereby generating larger resources for development purposes.

The authorities have also to reckon with the fact that the taxation of urban immovable property is characterized by considerable evasion and avoidance and to take appropriate measures to overcome them.

One suggestion put forth is that the State Governments should not advance loans to the local bodies, which should approach banks for them. By curtailing unconditional grants and enhancing matching grants to the local bodies, these Governments can encourage them gradually to become self-dependent.

State Undertakings

In a number of States most of the State undertakings are persistently in the red, whereas the remaining ones have extremely low profitability. The rate of return on the investment in them is not even "fair" because of their operational inefficiency, defective inventory management, declining managerial capability in appropriate pricing policies, and the like. A 10 per cent per annum return is dubbed as "fair".

Receipts from the State enterprises can be improved by means of better utilization of capacity and reduction of production costs. One suggestion is that the State Governments should not advance

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loans to their undertakings like the Electricity Board and the Road Transport Corporation. These should approach the banks for loans. The irrigation and power rates and bus fares should be raised.

The State Governments have been incurring huge losses on their irrigation works. This virtually amounts to a subsidy to the farmers who benefit from irrigation facilities created by the State Governments. The quantity of crops produced as a result of irrigation and their prices have increased. The maintenance costs of the irrigation works have increased tremendously. The water rates are not commensurate with the returns to the private water users. The minimum objective should be "to reduce progressively, and over a period of time, eliminate these losses through suitable revision of the existing rates." A compulsory surcharge sufficient to cover at least the maintenance and operational charges and a betterment or capital levy in order to mobilise resources from that section of the agricultural sector which benefits directly from the irrigation projects should be imposed.

The Electricity Boards and the Road Transport Corporations in several States are incurring huge losses at the existing levels of tariffs and fares, mainly on account of the steep escalation in their working expenses (consequent upon the revision of emoluments of their employees, rise in input costs, etc.) and their operational inefficiency. The power tariffs should be further graduated or differentiated so as to make the better-off consumers pay a higher charge. Similarly, fares should be raised.

Public Borrowing

The States are authorised to raise loans from the market but they also borrow from the Union Government. Public debt is raised by them to meet Plan as well as non-Plan expenditures within the Indian territory with the permission of the Union Government. The Reserve Bank allots shares in and conducts market borrowing on behalf of the State Governments. The main subscribers to the securities of the State Governments are the commercial banks, the LIC, the Employees' Provident Fund and other provident funds in the private sector.

The State Governments borrow from the LIC, local bodies and State enterprises for financing their housing, water supply and power development programmes. The Reserve Bank of India provides loans to the States for their participation in the share capital of co-operatives. The Rural Electrification Corporation provides funds to the States for the expansion of rural electrification facilities. Other institutions like the Agricultural Refinance Corporation, the Land Development Bank, the Indian Dairy Corporation, etc., support their development programmes. These are negotiated loans.

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The small savings collections from the households and the agencies like the Employees' Provident Funds and other provident funds in the private sector are shared between the Centre and the States in terms of the formula of one-third going to the Centre and two-thirds being made available to the States. In addition, there are accruals to the State Provident Funds. Part of the dearness allowance to the State employees is impounded and credited to their provident fund accounts.

The major sources of capital receipts of the States are recoveries of loans and advances from the public enterprises and the household sector.

Since market borrowings are at higher rates of interest than borrowing from the Union Government and since the Union Government allows specific concessions (e.g., consolidation of interest rates, extension of repayment period, writing off of certain unproductive loans, etc.,) the State Governments are tending to embark on market borrowing proportionally less and to incur Union Loans proportionally more.

The poorer States have the grievance that they have been allowed to borrow from the market smaller amounts compared to the richer States.

Foreign Aid

Foreign assistance of a very modest amount is available to the State Governments through the Centre for the execution of some of their developmental schemes.

Tapping Rural Savings

Rural savings can be mobilised further by means of postal savings, insurance, and compulsory loans. But these are controlled by the Union Government. There is much room for the extension of the LIC and the GIC activities to the rural areas. The State Governments can mobilise rural savings through the co-operative banks but in many States these banks are in deplorable condition. Their progress has also slowed down due to the opening of branches of commercial banks which are under the control of the Union Government.

A suggestion has been made that the State Governments should borrow from the rural rich by introducing a compulsory loan scheme.

Federal Fiscal Transfers

The Indian Constitution provides for substantial transfers of resources from the Centre to the States under Article 270 (sharing of the proceeds of income tax); under Article 272 (permissive participation in the proceeds of the Union excise duties); Under Article 275 (statutory grants-in-aid of the revenues of the States); under Article

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282 (grants for any public purpose); and under Article 293 (loans for any purpose). These transfers are regulated by the Finance Commission and the Planning Commission.

The *statutory transfer of resources* from the Centre to the States on the recommendations of the Finance Commission is intended to enable the latter to balance their ordinary revenue budgets during each Five Year Plan period. It is made "as of right".

The successive Finance Commissions have been concerned with bridging the budgetary/revenue/non-Plan gaps of the States. They have been keen to make sure that those indicated gaps are genuine, representing an irreducible minimum after a State has done its utmost to raise resources and exercise economies. With this object in view they have been assessing needs and distributing resources. But their power to check the figures submitted to them by the States has been limited because they have had to work on a five-year basis. They have been more "at the mercy of the States" (Hansen).

Their task has lain in matching the resources of the States with their needs and meeting their budgetary deficits, caused by such factors as normal growth of expenditure, maintenance cost of completed schemes, mounting administrative expenses and unproductive welfare expenditure.

The States' point of view has been that under the Constitution they have been allotted such revenue sources as are not responsive to increases in population, income and economic activity; that their functions have been expanding; that they are differently endowed with resources and owing to this their levels of economic development vary; and so on.

According to an able study (P.D. Ojha's), the needs of the States depend on : (1) Their population and its age-distribution, particularly the proportion of school-going population in respect of which the Indian Constitution expects each State to guarantee compulsory primary education within a certain specified period; (2) Density of population; (3) Distribution of income; and (4) Local costs and similar other factors. We may add, in parenthesis, that in determining the needs of the States a national norms of minimum availability of public goods should be borne in mind, and those States which lack in them should receive more resources.

All the same, the budgetary deficits of the States may or may not be in conformity with their actual needs because they may be caused by improvidence on the part of the States or by their unwillingness to tax more. The very approach of the Finance Commissions might have fostered extravagance on their part. "Secure in their knowledge that their budgetary deficits would be filled by the Centre by way of devolution of resources and grants-in-aid, the States were disinclined to undertake unpopular revision of tax levies or introduce

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new measures, nor were they particularly concerned with administrative efficiency and economy" (Chanda).

Their dependence on the Centre has been steadily increasing. At present both the Centre and the States are feeling the pinch : "No longer is it possible for the Centre to play Santa Claus nor is it wise for the States to rely on external assistance without making a reasonable tax effort and securing economy in expenditure."

Non-Plan expenditures of the States on maintenance of law and order, provision of the necessary infrastructure, extension of social services, etc., have constantly risen. The location of the Central undertakings in the States lagging behind others industrially has involved them in increased outlays on the development of the socio-economic overheads. Further exploitation of the mineral and forest resources has called for more disbursement of funds for the creation of additional infrastructure by the poorer States. Likewise, concentration of industrial labour and the swing towards urbanization have admittedly engendered problems of law and order, imposed higher administrative responsibilities and social obligations on the part of the richer States and they have as such claimed larger transfers to sustain their development momentum.

One aim of the transfer of resources from the Centre to the States, as recommended by the Finance Commission has been to mitigate the inter-State disparities in social and economic standards of living. The principle of equalization adhered to more by the Finance Commission has stressed "the pressing need to open up backward areas, to break down the barriers of isolation and stagnation, to develop social services and a social sense to mobilise economic resources and, above all, to bring about a feeling of oneness in the minds of the people of these regions with the rest of the community".

Transfer of resources from the relatively rich to the relatively poor States in a federation is directed towards the attainment of one or more of the following goals, as listed by Musgrave :

(1) Equalizing the actual per capita money expenditure on social services in all States : this is achieved by taxing away that part of the revenue which is above the national average revenue from the States that have a high revenue level above the national average.

(2) Equalizing performance levels in the various States : Some States may have high tax yields but their revenue needs may be low when compared to some other States, which have low tax yields but high revenue needs. Income may be redistributed from the former to the latter with the object of enabling both categories of States to have the same level of performance in the services they render to the citizens.

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(3) Equalizing differentials in need and capacity in each State : The actual level of any service provided in a State is compared to the national average level of that service, and to iron out differences in the level of that service between the States, transfer of income is to be made from the broad-based high-yield State to the low revenue-yielding State.

(4) Equalizing the potentials for State finance in all the Federal units.

In India the quantum of grants-in-aid to the States fixed by the Finance Commission is in the light of various considerations, resting upon the fiscal and budgetary needs of each State. It must be noted that fiscal needs have a wider connotation than budgetary needs inasmuch as the former encompass any special disability of a State or its need for development in a particular field.

The Finance Commissions have used population as the principal criterion for the transfer of resources. The more populated poorer States lay emphasis on population as a criterion of the fiscal devolution. But some of the richer States too have larger populations, which means that the greater weightage assigned to population benefits them unduly.

Some other richer States, which make the largest contribution to income tax, feel cheated as population, and not collection, is adopted as the predominant basis for the sharing of resources between the Centre and the States. On the other hand, the poorer States grumble that the population-cum-collection criterion in the collection of income tax favours the richer States, and hence they clamour for the rejection of the collection criterion.

Whereas some economists see ambiguity in the population criterion, others hold that it may be "a poor proxy" for the needs of the States. Attaching a higher weightage to it might beguile the benefiting States into slackening their family planning programmes. Still others insinuate that the transfer by the Finance Commission suffers from an element of arbitrariness.

A study of the transfer grumble would show that all States want their share in the divisible pools of income tax and Union excise duties increased; the whole of the net proceeds of additional Union excise duties distributed among them; and the grant in lieu of the total railway passenger fare earning stepped up (at present the Central grants in lieu of this fare is frozen at a certain figure per year). Many States want 75 per cent of the total revenue raised by the Centre from all sources allotted to them. Several States insist that the receipts from the surcharge on income tax and the corporation tax be transferred to the divisible pool. The poorer States want the divisible pool of income tax and Union excise duties to be treated as one single unit. The affluent States argue that incidence should be

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the determinig factor of distribution of revenue from Union excise duties because they are akin to sales tax.

Planning, economic and social, under the Indian Constitution is a concurrent subject. The responsibility for it inheres to the Centre as well as the States. They are supposed to work in unison. In the event of conflict the will of the Centre prevails. *Non-statutory, discretionary transfer of resources* to the States from the Planning Commission is for their development in accordance with their Five Year Plans. It is not related to any specific scheme or programme under the State Plans but is made to the States through block grants and block loans. Each State gets a fixed proportion in the form of grants and the balance by way of loans based now on the Modified Gadgil Formula as approved of by the NDC in August, 1980. The States have much greater initiative in the formulation of schemes and programmes. However, with a view to ensuring that the over-all priorities of the Plan are adhered to by the States, outlays under certain heads or sub-heads of development and specified schemes are earmarked and are not to be diverted to other heads of development.

Consistent with the Modified Gadgil Formula, 60 per cent of the Central assistance is distributed on the basis of population, 20 per cent is given to the States having per capita income below the national average, 10 per cent is distributed on the basis of per capita effort, and 10 per cent is given for special problems, such as natural calamities like floods and droughts, and tribal areas. This relates to the 14 non-special category States. The 8 special category States (strategically situated border States) are given a special consideration.

Also for certain schemes, outside the State Plans, sponsored by the Centre, the States receive Central assistance. Recently, some of these schemes became incorporated in the State Plans on transfer and have received Central assistance on the basis of IATP formula (per capita income adjusted to population—the inverse of per capita income of a State multiplied by its population).

Most of the discretionary grants from the Centre require matching contributions from the States. This proves disadvantageous to the poorer States, which complain of a raw deal and want the loan : grant ratio in the Central assistance to be revised in their favour. Grants comprise revenue resources, whereas loans comprise capital resources. Loans have to be repaid and until they are repaid interest has to be paid. The poorer States are hard put to shoulder the double burden.

Grants to the States for expenditures of national significance, e.g., malaria control, border security, etc., are released by the Ministry of Finance. The Ministry also grants *ad hoc* loans to them to clear their overdrafts with the Reserve Bank of India.

Certains schemes, included in the Central Sector of the Plan,

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benefit the States directly. In agriculture such schemes are development planning, schemes for dry farming, small farmers and agricultural labourers. There are similar schemes in other sectors too.

As grants released by the Planning Commission are from year to year, they are subject to large variations. This annual doling out of grants reduces the States to "the status of mere administrative agencies of New Delhi". The States degenerate into "mere glorified municipalities". In several cases the Centrally-sponsored schemes were thrust upon them. Their objectives were not entertained. "Each Central Department is becoming a sort of enterprise with the corresponding State Departments as its satraps" (Hansen).

The Planning Commission has been concerned more with the matching principle. That is, the more money a State has raised for a particular project or a series of projects, the more has it received from the Commission. The matching grants have been calculated to meet the revenues expenditure of the Five Year Plan schemes executed by the States on approval by the Commission. The Commission has thus been concerned with the resource-raising potential of the States.

The Plan outlays of the States, as determined by the Commission, have presumed that every State would observe the Plan priorities, raise maximum resources and economise on non-Plan expenditure in order to qualify itself for Plan assistance. The poorer States, which have been employing less sound budgetary norms or standards compared to the richer States, have fared worse than the latter in the allocation of Central assistance. They feel discriminated against.

A number of the States have experienced difficulty in deciding about the various projects of development and welfare in the absence of firm commitments by the Centre. The attempt to draw a line between Plan and non-Plan expenditures of the States by the Commission has not been really sound. The Gadgil formula has, nevertheless, somewhat reduced the uncertainty by pre-determining the Central assistance to the States. The size of the Plans of the States is now contingent largely on the efforts of the individual States to marshall their own resources for their Plan schemes and programmes. In one view, since merely 10 per cent of the Central assistance is dependent on tax effort by a State, undue resentment on its part is unwarranted.

Discretionary transfers from the Commission to the States even in respect of the State subjects have made inroads into their autonomy and abridged the accountability of the Governments to their legislatures. Besides, as they have been given "as of grace", they have tended to demoralize the 'giver', who is blamed for being niggardly, and the taker, who is resentful of the formalities of accountability. "It has hindered the development of a greater sense

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of responsibility in the administration of the States. The extent of demoralization has been noticeable not only in the heavy over-drafts and chronic deficits incurred by the States but also in "the chorus of complaints" against the awards of the Finance Commissions (Rangachari).

In a nutshell, the use of grants and loans in the last few decades has resulted in complete domination over and control of the States by the Centre and utter reliance and even financial irresponsibility and indiscipline on the part of the States. One reason for the feeble resource-mobilisation by particular States has been their financial dependence on the Central sub-ventions. The States have preferred to drag their feet. This has suited their politicians very well. It has enabled them "both to avoid taking unpopular measures and to attribute failures to circumstances over which they have no control—in fact, to enjoy the fruits of political office without bearing the full burdens of political responsibility".

Critics have pointed out that the Centre has so far failed to work out "a viable system of co-operation with the States". Under the existing system both the Centre and the States have their *alibi* for stagnation : the Centre blames the States and the States blame the Centre. They have alleged that in India there is a wide "non-correspondence between the functions and resources" of the State and the Union Governments. They have urged that each Government should have a taxable capacity appropriate to its responsibilities. On this ground they favour a transference of more tax authority from the Centre to the State Governments. They assert that the responsibility for fixing the rate of a Union tax and for collecting it does not necessarily give the Central Government the right to monopolize its proceeds. Since the flow of resources from the Centre is a prime determinant of the States' pace of economic development, the quanta, patterns and criteria of this flow become relevant. The present system under which both the Finance Commission and the Planning Commission have control over the division of the Central sub-ventions among the States is surcharged with an element of conflict. A better coordination between the two Commissions is the crying need of the hour.

As we have stated above, an unintended consequence of easy availability of funds in the form of loans and share of small savings to a good many States has been the non-application of the strict criteria of productivity of investment in projects by them, besides the weakening of the "built-in" stimulus to self-help on their part.

The flow of funds from the Centre to the States has been steadily rising. But the Centre's capacity to make substantial transfers of resources to the States is not illimitable. Beyond a limit, resources have to be raised by them internally. The Centre has to evolve a method whereby it can lower the heavy dependence of the States on

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itself for their revenue as well as capital expenditures and whereby it can reward those States which realize the target of resource-mobilisation for their Plan and cut down their non-Plan expenditure. Mere advice for fiscal discipline is prone to fall on deaf ears.

In our country the Union-State fiscal relations have now arrived at a stage in which "intermingling of resources and functions will no longer work smoothly". The Indian Constitution did not endeavour to make the allocation of resources correspond with the allocation of functions. This failing has been accentuated in recent years, when not one and the same political party has ruled at the Centre and in all the States. The States having Governments formed by a different party have aired their grievances against "the distortion of the federal principle" by the Centre and against "Central authoritarianism", i.e., while resources have been controlled by the Centre, responsibility for development has rested with the States. They have accused the Centre of refusing to show resilience and understanding of their genuine problems. It is these States which have demanded a re-definition of the federal fiscal relations.

Before we conclude this section let us make a plea for meting out a preferential treatment to the poorer States in the allocation of funds by the Centre. Apart from its own requirements, the Centre has a special responsibility for assisting the backward States to reach a minimum acceptable level of economic and social uplift. It is perhaps for this reason that the provisions of the Indian Constitution were weighted in favour of the Union.

The Centre operates to reduce regional imbalances by the following methods : (a) Direct investment, (b) Allocation of resources to the States, (c) Special allocations to the backward areas, and (d) Other direct and indirect methods, like tax concessions.

The crux of the problem is how to provide the poorer States an edge over the richer in the devolution of funds from the Centre. It is essential that those States with a per capita income below the national average must develop at a rate faster than that at which the richer States have developed and are developing, so that the existing gap is obviated. This would require that their Plans are of a much bigger size than hitherto.

The poorer States have contended that unequal grants given by the Centre for the State Plans, instead of making for balanced regional development have made for wider economic disparities. Hence, they want preferential treatment in resource-transfers. By implication, they have argued that the flow of resources from the Centre has favoured the richer States because they have exerted greater political pressures and wielded greater bargaining capacities in this regard. In the words of Hansen, "the competitive self-assertion" has deterred the Centre from reconciling the twin objectives of development and equity.

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To an extent, the poorer States are themselves to blame for this sordid up turn : they are not only economically but also administratively backward. They have been unfit to have large funds placed at their disposal. They have displayed a reluctance as well as an inability to match Central contributions with their own. Quite a few of them have had to surrender part of the Central assistance to them for having failed to disburse it on schedule, which went to the richer States possessing a higher capacity and having greater preparedness to spend more. Their capacity to spend more has entitled them to obtain more from the Centre.

III. OTHER SUGGESTIONS

Securing Economy

Economies in expenditure, both on Plan and on non-Plan items can release some resources for financing development. Part of the Government saving may be aborted by an unanticipated and unjustified rise in the Government consumption. Therefore, wastage and misdirection of the Government saving must be avoided. A high degree of discipline and restraint has to be exercised with respect to the consumption of the upper income-groups in society so as to prevent leakages of resources from investment. A penny saved will be as good as a penny earned.

Economy would imply meticulous care in the use of resources, especially scarce resources. It would not mean pruning of essential expenditures.

The poorer States have been found to be less efficient in the husbanding of resources.

Efficient Investment Planning

Care must be taken to direct the resources accruing to the State Governments into uses which will enable them to reap a higher rate of return either directly or indirectly through direct taxation. Leakages of resources into non-priority uses must be averted.

The investment projects, including the on-going ones, should be completed on schedule. Even a comparatively small delay in completing a project and getting results from the investment in it can make a significant difference to the resources available to the Government for further investment. Failure to bring capacity in large scale projects to full utilization would render the cost, in terms of the capital locked up and the possible sacrifice of alternative opportunities for using that capital, enormous.

The Government should appreciate that the achievement of the physical targets in a Plan has a wholesome effect by improving *pro tanto* the prospects of raising additional financial resources.

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Case for sound financial control

Development planning underlines the case for sound financial control to ensure that (a) no wastage of resources occurs, (b) public money is not misapplied, and (c) for the money spent adequate results are obtained.

Financial control has to concern itself not only with "the minutae of expenditure, but even more with the scheme of priorities" on which a project is based and with the appraisal of the stage at which a project may be regarded as having been adequately investigated to justify commencement of execution.

The functional versus the performance Budget

Adler suggests the functional budget and the performance budget as devices of particular usefulness for the improvement of public exepnditure policies and for the preparation of public expenditure plans as part of a development programme.

The functional budget provides a basis for a rational choice among competing objectives of public expenditure. It classifies public expenditure by specific government function (e.g., health). This is clearly superior to the classification of expenditure by different administrative units.

The functional budget indicates the maximum cost that can be incurred in financing the activities pertaining to a particular function of the government. But it does not provide any means to detect whether the projected benefits have, in fact, materialized, assuming that they have been expressed in terms of an objective unit of measurement (for example, the additional number of children that would go to school as a result of the training of teachers).

The performance budget constitutes a new approach to budget formulation and budget execution. Its main objective is to provide a mechanism for measuring the benefits of the various items of public expenditure, and to relate benefits to costs incurred. It can also be used to set targets for the various functions to be performed by the same administrative unit in a budget period.

The performance budget becomes virtually indispensable if the budget or a part of the budget forms part of a development programme.

In a mixed economy the corner-stone of a development programme, according to Adler, is a programme of public expenditure, primarily to finance capital projects but, secondarily, also to pay for the supporting activities (research, for example). The programme objectives are stated in terms of specific targets and projects and thus it becomes the goal of the budget, or of a series of budgets, to provide funds to reach these targets and to carry out these projects.

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Monitoring and Review

A continuous monitoring system and a system of periodic review of budgetary receipts and expenditures should be introduced to ensure maintenance of the required degree of fiscal discipline.

Economising on Non-Plan Expenditure

The State Governments ought to devise a proper system of regulating expenditure on relief from natural calamities. A substantial part of the relief expenditure should be utilized for productive schemes and the creation of durable assets. Employment provision should not become an end in itself. The erosion of investible funds must be checked in order that the economy can create the needed amount of extra capital to sustain a higher level of living for all concerned.

Attempts by some State Governments to set up welfare states too quickly and on too broad a scale through a miscellany of grants, pensions, benefits and doles is proving harmful to the health of their economies. This temptation has to be resisted.

The State Governments have to locate the specific areas where subsidies are not justified. Greater reliance has to be placed on the reduction in subsidies to release resources for development. Subsidies which aim at supporting consumption by keeping prices, fares etc., lower, result in wastage.

Unproductive public debts of the State Governments has led to a substantial diversion of their revenue to the payment of heavy interest charges. By incurring less of such public debts they can scale down their debt-servicing obligations.

Deficit financing by the Central Government as a supplementary but regular source of funds affects the finances of the States through continuous price rise more adversely, because of their relatively inelastic revenues. This is corroborated by the fact that over the years the Union revenues have increased at a faster rate than the States' revenues.

The States' wage bills have been going up. The States blame the Centre for this. Enhanced pay and allowances for the Central Government employees have inspired similar demands in the States as well as pleas for a uniform national policy. With every instalment of additional dearness allowance granted to the Central employees, the disparity between them and the State employees widens and generates a further demand for increased dearness allowance. The State Governments are compelled to divert part of their scant resources to the payment of dearness allowance to their employees. This has been an important factor for the higher non-developmental outlays on the administrative services in the States.

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But the Centre has always disclaimed responsibility for the increased wage bills incurred by the States and refused assistance.

Greater attention has got to be given to the maintenance of the existing assets like buildings, roads, public works, etc., by the State Governments so that they function efficiently.

Economising on non-Plan expenditure, however, has so far been of marginal help, and hence can be expected to be inconsequential in the future as well.

Toning up Administration

There is considerable tax evasion and avoidance by the tax-payers, besides erosion of the taxable amount through various exemptions and revisions and non-collection of tax arrears. The tax delinquency is not due wholly to the low tax morality of the tax-payers but is due partly to the corruption on the part of the tax collectors, which is a close cousin of "the corruption on the part of the top administrative elite and of those in seats of power, who fail to practise what they preach" (MacBean). The tax administration has to be geared up to the surmounting of these impediments. At the same time, adequate measures must be devised for collection of taxes from unincorporated enterprises and self-employed persons earning good incomes. The magnitude of evasion currently taking place in these segments is quite sizable. To conclude in the words of the authors of the Sixth Plan, "There is considerable scope for reducing tax evasion, rationalizing tax laws, streamlining tax administration and widening the tax base in the urban sector and tapping the surpluses of the affluent section of the farming community".

Enlarging the Base of the Non-Agricultural Sectors

It is high time that the States weigh the pros and cons of diverting proportionately larger resources to the promotion of the non-agricultural sectors, so that their capacity to contribute more and more to their exchequers is suitably reinforced. This alternative assumes added significance in the context of the failure of these Governments for such a long span of time to raise the reasonable amount of revenue from the agricultural sector. The private corporate sector is yet a tiny proportion of the total economies of the poorer, industrially more backward States and ideally, its expansion may bring forth a larger revenue, directly or on transfer from the Centre, to the coffers of the States.

The State Governments may also investigate the possibility of imposing a tax on trades, professions, callings and employment.

Taxing the Rural Rich

The question of taxing the rural rich is not so much contentious as it is perplexing. The predominantly agricultural States seized of the necessity of mobilising additional resources for their Plans have to

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take "hard decisions", one being the widening of the tax-base by levying a direct tax like income tax on agriculture in a manner comparable with increased productivity and the normal maxim of equity.

In most of the Indian States agriculture contributes the major share to the domestic incomes. For want of statistics it is not practicable to express in exact quantitative terms the total tax burden borne by the agricultural sector in these States. Roughly speaking, not more than 6 to 7 per cent of the total agricultural income is taxed directly and indirectly, whereas one-fourth of the aggregate non-agricultural is taxed, on an average, in an Indian State. Thus, it is evident that agricultural incomes are taxed very lightly.

The works on the underdeveloped economies advance a number of substantive arguments in defence of agricultural taxation. In the first instance, agricultural taxation is a means of adding to total savings. Secondly, it can be an investment for augmenting the marketable surplus out of the agricultural output. Thirdly, it will reduce income inequalities in the rural areas. Fourthly, it can be made to subserve certain other incentive and distributional ends, such as (a) redirection of agricultural production, (b) stimulus to the more efficient use of the land, (c) accomplishment of changes in land tenure, (d) promotion of new productive investment in agriculture, and (e) inducement to the movement of redundant labour from agriculture to non-agriculture (Meier).

With reference to the Indian case, it may be further pointed out that in so far as direct taxation in the urban areas is believed to have reached the saturation point, the Government has to use its "lancet" on the less taxed rural population. It is contended that the bulk of the Plan investment of the State Governments has benefited their agricultural sector, which is reflected in a good spurt in its total production as well as productivity per hectare of particular crops. Agricultural prices have also gone up by a large percentage. The Government has supplied inputs and implements to the agriculturists at subsidized prices, besides credit at concessional rates of interest. The water charge and power tariff have been purposely kept low. The procurement prices have been favourably revised at frequent intervals. Land revenue and loans and interest on loans have often been written off.

The idea behind this proposal is not to tax the entire rural folk indiscriminately but, on the contrary, to concentrate on the taxation of the rural rich only — the *Kulaks* and the well-to-do classes of the peasantry, in the main. It is these people into whose pockets the fruits of huge public investment in the agrarian sector since the inception of developmental planning in the country have flown to the maximum extent. The Green Revolution has driven up the capital values of their land. Their incomes and profits have risen spectacularly. Their saving potential has grown in consequence.

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The problem which the Indian States encounter is, in brief, this : how to transform the gains of their agricultural development into capital formation, that is, how to extract the surplus from the rural sector for investment in development projects. This can be done by improving upon agricultural income tax (by the imposition of agricultural holdings tax or a combination of measures like the withdrawal of concessions in land revenue, the imposition of surcharge on land revenue on a sliding-scale, the levy of a cess on commercial crops and the imposition of a betterment levy) in those States where it is in force, introducing the tax in its improved form in those States where it has not been imposed so far and attaining parity of rates not only in all States but also with the Union tax on non-agriculture incomes, as advised by the Planning Commission. Some have suggested a tax on live-stock. Some others have suggested that the marketable surpluses of the farmers to be taxed be taken into account instead of the size of their agricultural holding to make sure that the method is progressive. The arguments in favour of taxing agricultural income are strong but there are practical difficulties inherent in implementing this. For one thing, it may be difficult to assess agricultural incomes. For another, taxation of land may involve problems of assessing land values. Still another difficulty is that the rate of land tax is inextricably bound up with the prices of crops grown on the land and these prices are fixed from the national angle. The states do not have a free hand in this matter.

But the most formidable difficulty is on the political front : *a glaring absence of political will.* The agricultural income tax or a variant of it is regarded as "political dynamite". For fear that the rural voters will be alienated and the rural votes will be lost if the tax system is in any way tilted towards taxation of agriculture, the State Governments are reluctant to take that risk and are, therefore, leaning upon the traditional indirect taxes, which would not undermine their popularity (whatever that is) with the rural masses. Under our universal suffrage system rural votes preponderate. The rural oligarchy—the rural rich—have an immense control over the rural vote banks. The political party in power is loth to displease this section. Displeasing it would mean the ouster of its Government from office. As a matter of fact, the landed aristocracy is indifferent to development itself which might, by disrupting and upsetting the traditional rural structure, pose a serious threat to their privileged position. Also, the democratic governments are opposed to taking recourse to extortion and coercion. This explains the timidity of the State Governments in India to taxing the rural population.

Some contributory factors like inertia and weaknesses in the tax system also stand in the way of imposing agricultural tax.

Summing up, we can say that each suggestion made above faces either political opposition or the opposition of those affected or

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likely to be affected. Only if the Government could muster the requisite *poitical will* to quell these oppositions, would it turn our suggestions to good account. So the whole question boils down to this.

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6

Dilemma and Dynamics of the Indian Economic Society : A Guide to Policy

Population Planning

No simple correlation has been found between population growth and economic growth during the 1950's and 1960's in the developing countries. Also, the correlation between the low rates of population growth and the high rates of economic growth, wherever found, does not appear to be simple. Some countries with high rates of population growth (for example, Iran: Population there grew at a rate of about 14 per cent per annum during 1969-75, whereas per capita income rose from $400 to $1400) are among the most prosperous. On the other hand, some other countries with low rates of population growth have stagnated. For want of a systematic relationship, Colin Clark has called the population problem "a development myth".

This theoretical observation apart, the stark fact remains that in order to maintain the same level of living a country requires an additional investment of 4 per cent per annum, if its population increases at the rate of 1 per cent per annum. Were an allowance to be made for the depreciation of the existing capital, then another 2.5 per cent per annum investment would be needed. The high percentage of children in the population (about 40 per cent in the developing countries) limits capital formation. The needs of the whole community have to be satisfied by a small working population so that little is left for the purposes of investment. High infant mortality rates mean that an unusually large part of investment made in the bearing and rearing of children is wasted because so many of them never live long enough to enter the adult labour force. To illustrate, something like a quarter of the national income of India is spent on maintaining those who die before they reach the age of 15, as compared with a figure of about one-fifteenth in Great Britain. From this it is clear that only those who enter the working force have an impact on economic progress.

Critics (such as Ezekiel) point out that the strategy of economic development adopted in 1955 by the Indian planners did not take population growth explicitly into account. The need for "matching

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the time-pettern af economic growth to the time-pattern of anticipated population growth" was never recognised.

During 1971-81 the Indian population grew at the rate of 2.472 per cent per annum (provisional). The birth-rate per 1,000 of population fell to 36 in 1981 from 41 in 1971, whereas the death-rate fell to 14.8 in 1981 from 15.7 in 1971. Life expectancy at birth rose to 54 years in 1981 from 46 years in 1971.

An unpalatable fact is that in recent years India has been experiencing a remarkable slowing down in the rate of mortality decline, possibly because of the reappearance of diseases like malaria. This is a sufficient cause for concern. In the last decade (1971-80) the death rate has been fluctuating around a mean of 15-16 deaths per year 1,000 population. The still high death-rate is a manifestation of the even higher level of morbidity or ill-health of the population: for every person who dies of a disease, there are several who live with it at greatly reduced levels of productivity. The main beneficiaries of the falling mortality rate have been people over the age of five, in whose case the new medical technology has drastically reduced the effects of the killer diseases, such as small-pox and tuberculosis. Infant mortality has declined by only about half the extent that it has done at the older ages. At 120-140 per 1,000 live births, it is a staggering figure.

Whilst the high dependency ratio (40 per cent) is a heavy burden on the bread-winner, the fact that nearly 20 per cent of our population is of the ages below 30 provides an enormous opportunity to the economy to capitalise on the vitality and versatility of this youth group.

The density of population per sq. km. in 1981 was 221, as against 177 in 1971. This increased density has imposed a greater burden on land and other natural resources. The 1981 Census has placed the rate of literacy at 36.17 per cent—46.74 per cent for the males and 24.88 per cent for the females.

The growth of population stepped up the growth of landless labourers. The increased pressure of population on land kept rent and interest high. In 1981 towns and cities accounted for 23.73 per cent of India's total population, compared to 20.22 per cent in 1971. 45 per cent of the country's urban population was crammed in 12 cities. Migration accounted for only 40 per cent of the urban explosion. It was indigenous growth that explained the rise in the urban population.

Recent studies reveal that at the all-India level the total migration is diminishing. Migration from one town or city to another town or city is, however, increasing. Reverse migration to villages from towns or cities has started in certain parts of the country and the volume is swelling gradually. Mitra has shown that rural development

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and the new sense of power and destiny which the village has gained, together with the rise in grain prices and the increasing profitability of agriculture have tended to slacken the flow of migration from village to town. A contributory factor is the intrusion of capitalists into agriculture in order to dodge taxation.

Employment opportunities have multiplied in Punjab, Rajasthan and Karnataka, and hence their population has increased to a large extent through high immigration.

Punjab has presented an enigmatic case. On the one hand, it has attracted migrant labour from other States. On the other, the Green Revolution and the growth of village industries and manufacturing units in the State have stemmed the flow of population from rural to urban areas. In consequence, its urbanisation rate has been the lowest in the country.

In the metropolitan cities of South India (e.g., Bangalore, Madras and Hyderabad) a large proportion of the migrants were found to be of urban origin and to have traversed long distances to the destination city from other towns and cities. The percentage of unmarried female migrants moving from one urban area to another was found to be rising. Various streams of migration bore testimony to a variety of social changes taking place, the emancipation of women being a salient example. Increased communication from suburbs and other outlay areas, which can be imputed to the improved city transport network, had contributed to a perceptible decrease in short-distance migration to the metropolitan centres. As a rule, the migrants were more skilled and better educated and earned higher incomes in occupations requiring higher skill than the residents. Among the lower income groups, the family was the most common unit of migration.

Although there is a general surplus of unskilled and semi-skilled labour in the entire country, there are pockets where temporary shortages of such labour induce a tendency to mechanise operations such as in farming and construction projects. If greater outward migration was feasible, many areas would be able to bring down their rate of unemployment. Mobility, compared to metabolism, could remove worn-out social structures and make way for new structures to grow and thrive.

Where this has been possible, the results have been mixed. To amplify this, we may refer to Weiner's work. According to it, most of the migrants are willing and able to engage in occupations that local people choose not to enter. The migrant entrepreneur makes a contribution to the local community even if a large part of the labour force he employs is composed of migrants. When migrants and local people compete for the same jobs, then gains for migrants do imply losses for natives. Some existing local occupations may suffer an eclipse on account of migration. Even when the real income

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of the local people increases in the wake of the economic activities of migrants, local people may become resentful at their subordinate economic role. Migrants may inflict social and economic costs on the local people. Their presence may be psychologically threatening since their very success connotes a flaw in the character of the local people. The latter may perceive migrants as a political threat, particularly if they are numerous, wealthy or politically cohesive. Chotanagpur, the tribal belt in Bihar, furnishes a case in point.

Urban areas of all sizes operate as market centres for agricultural output and provide a variety of service functions in addition to operating as centres of manufacturing activity. Country towns have strong links with the villages. Large towns serve as distribution centres for seeds, fertilisers and credit for farmers as well as for organised markets for their produce. The bigger cities provide services and facilities to both the smaller towns and the rural areas in their hinterland. These functions should be strengthened such that towns and cities serve the rural areas more effectively. The process of urbanisation should be seen as aiding employment and income generation in the rural areas rather than as a competitive process.

Cassen has concluded that rural-urban migration is in some sense the product of population pressure on the village but it more commonly affects those in a position to respond. Those from the villages who have had the opportunity of higher education look to the cities rather than to the villages for their future career. In the words of Sinha, "A life of the city becomes the *Ultima Thule* of all their ambitions. Those who taste the fruits of modernity in the cities do not think of getting back to the "traglodyte existence" of the village. Most well-to-do persons in the villages seek to acquire houses in the towns or cities in their neighbourhood. That not only bestows greater security and status on them but also offers for their children the opening of higher education and better prospects in life. The richest among the farmers prefer to invest in industries in the urban areas rather than in rural activities. Rural migration has thus contributed to the problem of the educated unemployed: "The educated migrant has chances of work in part because he will be hired for a job for which he is over-qualified but he thus assists the escalation of qualification to the detriment of the qualified and the less qualified alike". Todaro stipulates that for every job opening in the cities, three people migrate from the rural areas looking for jobs. In this manner for every job created, two people are attracted who end up as unemployed. In addition, the demonstration effect of urban life has been a major magnet in drawing people from rural to the urban areas. The term "push-back" factor or "turn-over migration" is used in respect of those rural people who come to an urban area but go back home on failing to find employment there.

A dismal side to the picture is that the rural-urban migrants often

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are poorly prepared for the emotional stresses of urban living, the decline in family importance and other social, economic and political changes, although it cannot be gainsaid that migration has proved to be one of the principal purveyors of new ideas, a new culture and new forms of collective existence. The influx of large numbers of people into a city entails very visible and disagreeable nuisances, and a strain on all existing public utilities and facilities. Nevertheless, the same influx may less tangibly both reflect and give rise to wider markets, a wider tax-base, specialisation of all kinds, and rising levels of skills.

The unplanned migration of the rural poor to the urban areas should be controlled. This would underline the need for a significant improvement in the living conditions of those strata of the rural population which have the weakest links with the village, viz., rural artisans, agricultural workers and marginal farmers, as also for an improvement in the general quality of rural life. It is only through minimising the hiatus in the living conditions of the town and the country that the process of migration towards the cities may be stabilised at a level which will require an undue amount of investment for providing infrastructural facilities. The location of industries and other economic activities should be so planned that economic (which would include, by and large, job) opportunities are distributed in such a manner that promotes population dispersal. Rural growth centres come readily to mind. They will foster a close and continuous cross-fertilisation of ideas. Side by side with it, the members of unorganised labour looking for daily employment in many towns and cities should be deployed in an urban works programme avoiding infructuous and non-essential expenditure.

To control the population explosion the family planning programme has received maximum emphasis in our Plans. But we have so far been unable to generate widespread involvement and community participation in the programme, which is still viewed by the public as a routine governmental activity. Both the inadequacy of the infrastructure and the underutilisation of the available infrastructure have been partly responsible for the slow growth of the programme. It was handicapped by the shortages of trained manpower. The performance of the staff in motivational work was far from satisfactory. The communication channels were not used to the greatest advantage. The acceptance of the small family norm by the society at large remained an elusive goal. The programme was not implemented as an essential component of the total package of the health delivery system, nay, as an integral part of the development process—"the two processes being mutually supportive and linked with health, which is to be viewed neither as a commodity nor as a service but as a process of living". The programme has to become a nation-wide movement, embodying a fundamental attitude towards a better life for the individual, the family and the community. Every effort should be made to carry it to the strata which need it most. It has to be pursued with renewed

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vigour in the rural areas if it is to make a dent on the problem. The undoing of the programme so far has been its flawed implementation marked by well-meant but misguided efforts. Improvement of the educational conditions among women can play an important role in its success. Coercion in any form should be eschewed.

Summing up, the programme is difficult to carry out and raises problems of great complexity. Sustained and intensive efforts are called for over a fairly long period to make it a success.

Finally, one consequence of the rising expectation of life and of the rising cost of living in the last three decades has been the growing urge on the part of the people, already employed, to remain in employment beyond the prescribed age-limit (this might be justifiable on the face of it), whereas the abiding concern of the Government has been at least to freeze the existing retirement ages, if it is unable to pare them down, so as to provide jobs to the continuously swelling reservoir of the unemployed.

Developing the Economic Overheads

To break the supply constraints in the economy we must, firstly, leave no stone unturned to derive maximum benefits from the massive investments already made in the economic overheads, namely, power, transport and irrigation, and, secondly, to make yet more investment in them in the years to come. These promoters of growth should not be allowed to act as its detractors by lagging behind the demand for them, which keeps rising due to the growth of population and income, even if slow and tardy.

India must produce more energy, particularly in commercial form, to achieve a faster rate of economic growth and a more acceptable standard of living for its growing population. At present the energy generated by our work animals is 30,000 MW, whereas the installed capacity of the electricity-generating system is only 24,000 MW. The country must bring down the energy gross domestic product elasticity co-efficient from 1.8 to 1.0 by eliminating waste.

The State Governments have been giving the highest priority to irrigation pumps, tractors and industries which support agriculture (especially fertiliser factories), in allocating diesel and electricity. This trend is likely to persist. But it has been found that rural extensions of electricity become relatively uneconomic primarily because of distances separating individual villages, the low level of power consumption and the seasonal character of the requirements of power, specially in agriculture. As a result, the load factor is low and the available generating capacity is not fully utilised.

By keeping a strict watch on the progress of the schemes and making every effort to shorten the period of construction the problem of power shortage can be surmounted to an extent. A suggestion put

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forward is that in cases of acute shortage, power can be provided initially by small generators, to be followed by gigantic plants.

A deplorable feature of India's energy problem is the large share of non-commercial fuels—firewood, farm waste and cowdung—in total consumption. Such fuels meet 40 per cent of the aggregate demand in terms of coal replacement (equivalent to 200 million tonnes). On an estimate, the fuel power derived from cattle waste is well below 10,000 MW.

India's dependence on imported oil has been growing rapidly. Inspite of this, a good deal of the available oil and gas is burnt in the industrial furnaces instead of being used for the production of fertilisers or petro-chemicals. A huge amount of coal and oil is wasted on account of obsolete equipment, poor boilers, out-moded technologies in use, bad maintenance of plants and untrained labour. We must conserve our energy resources.

The current energy shortage can be tided over to some extent through greater care and modest investment in the existing generating plants, transmission networks or user industries. There are technologies which can help save as much as half of the energy that is being utilised in forging furnaces, heat treatment furnaces, re-rolling furnaces and the like, besides saving 40 per cent of the energy in manufacture of sophisticated chemicals.

A policy of energy substitution is an imperative need for growth as well as self-reliance in view of the fact that the rate of growth of consumption of liquid fuel has far exceeded the rate of growth of a solid fuel, such as coal. India has massive reserves of the latter.

The Indian planners aim at putting the railways in command of country's transport scene. In fact the railways are the back-bone of India's transport system. But they are confronted with three major problems, viz., (1) Coal transport, mainly in the eastern region; (2) Prompt supply and movement of wagons for other traffic; and (3) Meeting the needs of long-distance passenger travel. In a revealing exposition Khosla has sought to locate the causative factors. According to him, till the early seventies the Indian railways had their busy and slack seasons in a cyclic order. The busy season commenced immediately after *Diwali* and lasted till the *rabi* harvest had been collected and despatched—that is, nearly eight months. The rest of the year, roughly from July to October, when most of the country had the monsoon rains, was the slack season. The railways had a respite since the passengers mostly stayed at home and there was enough capacity available to clear the back-log of goods traffic. The movement for the main consumers of coal, the railways and the steel plants, had been well regulated on the basis of experience of many years. The same was the case with the foodgrains traffic. Some balancing between the flow of coal from the mines in eastern and central India to southern and western India, and that of

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foodgrains from the north to the east and the south was possible, and thereby the haulage of empty wagons was kept to a minimum.

But the railways had become so used to carrying low-rated traffic and bulk commodities, such as coal, iron and fertilisers that they failed to recognise the fact that they were indeed "out of pocket". On congested routes variable costs began to rise owing to delays, bottlenecks and wagon detention yards. Their pre-occupation with daily wagon movement goaded them into neglecting high rated traffic, such as tea, sugar, refined oil, etc., which was lost to the road transporters.

There were few thermal power plants and not so many cement factories. There was no large order such as the long hauls of 4,000 wagons of coal for power houses round the year, which have scarcely anything to offer in return by way of railway freight. This imbalance between the flow of loaded and empty wagons has naturally increased the turn-round, which is reckoned in terms of the number of days that pass between the loading of a wagon and its availability for the next loading.

In their obsession with achieving freight targets, the railways have tended to ignore the problems of passengers who account for only 35 per cent of their earnings. In the last twenty years the number of passenger coaches has grown by 25 per cent only, while that of passengers has increased by 130 per cent.

The efficiency of the railways is not upto the mark. Their bias for goods traffic accounts for the reprehensible neglect of ordinary safety measures. Of the total railway accidents, 30 per cent are believed to be due to mechanical failure and 4 per cent due to poor maintenance.

A better utilisation of the existing assets, modernisation of the growing operations and creation of additional capacity are the needs of the Indian railways. They should ward off the fall in freight traffic, pare down their working expenses as far as possible and aim at the conservation of energy. It may be further suggested that the Railway Board should be concerned only with co-ordination, long-term planning and new investment decisions. It should be rather like a "think tank", conjuring up novel solutions to everyday problems.

The highways and other transportation modes linking the cities with the towns of the lower order are "the arteries of diffusion of innovations and hence of modernisation". In a dualistic economy like ours "where the bullock-cart and the Jaguar co-exist", the place and significance of the former is not unknown to us. The bullock-carts carry goods totalling 15,000 million ton km. per annum and that too in places where neither the railways nor road transport can reach. Nearly half of our farm holdings cannot use tractors and only half of our villages have paved paths on which trucks can ply. Animal power is the only energy source within the economic reach of a large

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number of the poor. These bespeak the importance of the bullock-cart in the Indian transport system. About 20 million people, directly or indirectly, part-time or full-time, are involved in the bullock-cart business, a number corresponding to that employed in the entire organised industrial and trade sectors. This is a unique testimony to the employment potential of the rural transport system based on the bullock-cart. The number of the bullock-carts is over 13 million. The total investment in them is estimated at Rs. 4,000 crores, which compares favourably with approximately the same amount in the railways and is in excess of that in the public transport system estimated at Rs. 2,500 crores.

Ramaswamy's estimate brings out that the range of the traditional bullock-cart is limited to 5 to 10 miles and its load-bearing capacity is limited to about 750 kg. The cartman earns between Rs 6 and Rs 10 a day. The replacement of the wooden wheels by the pneumatic tyres increases the capacity to 2,500 kg and the cartman's earning to a figure between Rs 20 and Rs 40 a day. With nearly double investment the return is 30 per cent as against 5 per cent. Four-wheeled carts with tyres are gaining increasing popularity. They carry 3000 to 4000 kg without any additional burden on the beast.

To-day the thrust of all truck and bus movement is along the national highways, which run parallel to the trunk-rail routes. With only 6 per cent of the country's metalled road surface, these highways carry 30 per cent of the road traffic in direct competition with the railways in the guise of complementarity. Much of the rest of the road transport also moves on major State highways, which often run alongside leading feeder rail links. This competition does not fit in with any professed pattern of transport planning. To illustrate, milk goes in trucks from Amritsar to Assam. Tea from Assam and Bengal goes all over the country in trucks. One-third of the country's coal is moved from Bihar in trucks to places as far away as Punjab and Gujarat. So very lucrative has become the truck-plying business that a permit to ply an all-India truck involves payment of anything between Rs 50,000 and Rs 1,00,000 "under the table" to the political patrons who help secure it. Upto 1979-80 India had created an irrigation potential of 56.7 million hectares consisting of 26.7 million hectares under the major and medium projects and 30 million hectares covered by minor surface and ground-water sources. The sown land area that year amounted to 169 million hectares. Nearly two-thirds of it lay outside the ambit of even that potential and the uncertainty ragarding rainfall had a pronounced bearing on its cultivation and out-turn. There was notoriously wasteful use of water over field-to-field irrigation leading to water-logging and delayed planting, thereby causing problems for multiple-cropping.

An efficient use of water resources is a prerequisite of exploiting the possibilities offered by the new seed varieties both for augmenting yields of cereal crops and for intensifying cultivation. In the absence of irrigation facility the cultivation of the high-yielding varieties

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both for augmenting yields of cereal crops and for intensifying cultivation. In the absence of irrigation facility the cultivation of the high-yielding varieties (HYVs) is attended with greater uncertainty. It is a hard fact that while two-thirds of the aggregate utilisable surface water resources in India are not being made use of, one-third of the country's area remains drought-prone. Whereas there is often a surplus of utilisable water in the northern, eastern and north-eastern parts of India, there is a considerable deficit in peninsular India. This is what makes it necessary to think in terms of inter-linking the rivers.

Irrigation is a State subject. Almost all the outlays on it are accommodated within the State Plan ceilings. While the outlays are met exclusively from the public sector, the investment in the minor irrigation schemes is derived largely from private and institutional sources.

Ground-water forms the bulk of the minor irrigation programme. It is essentially a farmers' programme implemented primarily through individual and co-operative efforts with the finances secured chiefly from the institutional sources. It provides the farmer with just the type of instantaneous and controlled irrigation which the HYVs demand. The tubewells lower the water table and facilitate the conjunctive use of water. The minor irrigation schemes, based on local participation, are not only economically more viable but also socially more equitable than the larger, centralised ones. However, while assessing the benefits from the former, due allowance must be made for the irrigated areas going out of use because of silting in the case of tanks, clogging of filters and pumps and motors becoming unserviceable in the case of tubewells.

Public tube-wells appear to be the suitable system from the point of view of unit cost and equitable distribution of water when the fragmenation of holdings is considered. But this would involve extremely high capital cost. Hence, only deep tubewells will be the concern of the public sector. Besides, public tubewells should be emphasised in areas with preponderance of small farmers and in areas where private tubewells are unlikely to make any headway.

In respect of minor irrigation, particularly from the ground-water and lift irrigation sources, there has to be a proper tie-up with energy supply. Accordingly, the programmes of minor irrigation have been dovetailed with the rural electrification schemes for energising the clusters of wells or tube-wells. The focus of rural electrification has been the pump-set that was to be energised rather than the village which was to be electrified. But despite this, the outcome has been the reverse : Inadequacy of power owing to the slow progress of rural electrification, shortage and high price of diesel, etc., have hindered the development of irrigation from ground-water sources. The surface minor irrigation works have not received adequate technical support in the matter of design, construction and maintenance. Frequently, for lack of strict checks on the work

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of the subordinate staff in-charge of the tube-well or lift irrigation system, the equipment has been declared out of order when the demand has reached the peak point. Maintenance has been deficient and the pumps have not been readily available even in times of emergency. Both the Irrigation and the Agriculture Departments of the State Governments have been recalcitrant in this matter.

The Irrigation Commission has laid down the following principles of use of irrigation water:- (1) To maximise production per acre where water is not the constraint; (2) To maximise production per unit of water where water constraint is marginal; and (3) To immunise the major crop of the rainy season against drought where the water constraint is heavy.

Experience shows that a number of big irrigation projects or construction works are fraught with labour shortage. Therefore, suitable plans need to be devised for moving a part of the labour force, particularly the hard core of agricultural labourers, who have practically no base in the village, to such projects or works for long-term employment.

A great deal of co-ordination among agencies is required to reduce the time-lag between rural electrification, installation and energisation of pump-sets. The existing canals and tube-wells, wherever necessary, should be remodelled or supplemented by the construction of subsidiary irrigation works. Attention should be called to the maintenance of the existing works. The older storage and distribution systems call for modernisation so that their coverage is improved.

In some regions of India, a watershed in the field of rural development is evident. Water is being primarily diverted to people rather than just to land in keeping with the "Haqbandi", as distinct from the traditional "Warabandi", system. In Ambala district of Haryana State, water from three reservoirs is being distributed equally by a regulatory society. Those, such as the landless, who are unable to utilise their quota sell it through the mediation of the society. A bolder experiment is being tried out in the Purandhar block in Pune district of Maharashtra. In 1978 a "Pani Panchayat" was formed to oversee the management and fair distribution of the scarce water resources of the area. Based on local participation, the grass-roots pragramme, which subsumes a hundred drought-prone villages, has already completed 20 out of the 50 irrigation schemes originally planned. The panchayat ensures that the water from its percolation wells is distributed on the basis of half an acre for each member of a family and that productivity is pegged to units of water rather than land.

Water resources need not form any insuperable barrier to agricultural development in India, subject to further hydrological and geological survey work in the country and continued research in the

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various factors in water supply. Water management in irrigated agriculture should provide suitable moisture and environment to the crops to obtain optimum yields with corresponding maximum economy. This technology is location-specific and is influenced by the nature and extent of water availability, soil and climatic condition and the terrain of the area to be irrigated. It differs from area to area.

Improving Human Capital : Reorganising the Social Overheads

Improvement of the human resource seems to offer one promise for attaining greater equity in income distribution in the developing countries. Such countries need social welfare even more than developed countries. A reasonable network of welfare services may cost anything from 3 to 10 per cent of the national income. These services exist for that section of population which takes out more than it puts in. To ensure social justice, new policies specifically framed to better the lot of the poor are inevitable.

The direct contribution of the social overheads to the fiscal potential of a country is negligible. Their beneficial indirect effects are likely to be realised only slowly, over a long period through the expansion of the national product. The fiscal problem in the sphere of these overheads is pre-eminently that of control and of such an allocation of priorities as will best improve the national product. But this question of priorities of the social service policy is not "just a matter of the respective claims of different branches of the social service, but of the claims of different types of service catering for different categories of need".

Steps have to be taken to counter excessive diversion of the funds to unproductive consumption. We must remember that over time, the subsidy programmes have a progressively smaller effect on income distribution, because relative spending on the items that are subsidised tapers off as income rises. More importantly, these programmes have to be maintained year after year, if their benefits are to last. The extent to which the social services imply a redistribution of the national income from the richer to the poorer part of the community differs very much from one service to another. Establishing the welfare state "too quickly and on too broad a scale may be harmful to the economic health of a nation and its 'moral fibre' ". Unconditional grants tend to lower the desire to work, save and invest. The provision of social services not uncommonly creates in the short run, more difficulties than it solves. Sometimes overlapping or parallel services are provided by different departments. The benefits accruing to one section of the people may be possibly offset by the losses sustained by another. The timing of the distribution of the largesse is of crucial importance. When the fires of inflationary pressures are strong, the largesse may stoke them further, whatever the degree. The economic test of productiveness of social expenditure is "its productiveness of economic welfare". This is a difficult calculus but "the statesman must handle it as best as he can, since there is no practical alternative" to it.

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As stated elsewhere, India is determined to become a welfare state. The state is to strive to promote the welfare of the people, as desired by the Directive Principles of State Policy. The past years were and the coming years would be "a period of intensive endeavour" to realise "the goal of the welfare state". A certain minimum national standard of the essentials of civilised life has to be guaranteed and enforced. Social services, along with intensive economic development have to provide equal opportunity to different sections of the community. With this end in view, those below the poverty line must be given priority in terms of welfare services. Improvement in the living conditions and levels of income of the backward classes constitutes one of the major tests of economic and social progress in the country. As economic development picks up momentum, social security and insurance will come to have high priority and serve as one of the instruments of income and employment planning.

During the last three decades, social welfare services have expanded both in volume and range and the outlays have also risen considerably from mere Rs 4 crores in the First Plan to Rs 83 crores in the Fifth Plan. A number of social welfare programmes are implemented by voluntary organisations with the assistance of the Central and the State Governments. They include, among others, welfare extension projects undertaken by the Central and the State Social Welfare Boards, programmes relating to social defence, social and moral hygiene and after-care services and other related projects.

The deficiencies in programme planning and implementation need to be remedied in order that the effectiveness of social welfare schemes can be enhanced. The development of welfare services between States has varied considerably and the backward States where the need is greater have suffered both from lower financial allocations and weak administration. This has been further aggravated by frequent transfers at the policy-making levels. The linkage of social welfare programmes with economic programmes has not materialised except in a very limited way, and many economic projects have been launched, particularly in the rural areas, without proper consideration of the social impact or the social service needs of women and children. Lastly, the monitoring of programme performance of even the important schemes continues to be in terms of financial achievements rather than physical performance related to the objective of the schemes.

We now pass on to the social services (or overheads) of education and health, The Indian planners perceive education broadly as "a seamless continuum of life-learning" (this might be the guiding principle behind continuing education and adult and non-formal education programmes). They consider it germane to the development in individuals of a scientific outlook, awareness of their rights and responsibilities as well as a consciousness of the processes of

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development; "to sensitise" them to ethical, social and cultural values, sensitivities and sensibilities, which go to make an enlightened nation; to impart to them knowledge, skills and attitudes which would enable them to contribute to the productive programmes in the national development.

In the long run, educational planning and implementation can prove a very potent instrument for equalisation of income levels. Education increases the supply of labour to high-paying occupations and diminishes it in low-paying occupations. Although education is partly a consumption service, most people value it mainly for the additional earning power that it usually bestows. Income becomes embodied in education which cannot be redistributed. The benefit from anybody's taking advantage of a social service such as education goes not only to that person but also to others, who gain from his wider understanding of social problems and his other achievements.

Mass literacy enhances the level of awareness. Education contributes indirectly to the process of modernisation of society by helping to destroy attitudes and to create new ones that are more appropriate to a modern economy. It exposes people at a fairly young age to new ideas and new ways of doing things. It helps people to get over age-old customs and inhibitions, to change attitudes and motivations and to make a more rational choice. Finally, it contributes to political stability both by creating a more informed and culturally more coherent society and by helping forward-looking elites to emerge.

Under the Directive Principles the educational (like the economic) interests of the weaker sections of the Indian people in general and of the scheduled castes and scheduled tribes in particular, are to be promoted with special care. According to the latest data, about 38 per cent of the scheduled caste and 56 per cent of the scheduled tribe children are yet to receive elementary education.

Even the existing facilities for elementary education are not optimally utilised. Nearly 64 per cent of the children who are enrolled in class I drop out by the time they complete class IV. The proportion of drop-outs has remained unchanged since the beginning of Five-Year planning. Only 20 per cent of the students study up to class X. Assuredly, the chief explanation for the drop-out is poverty. Even where primary education is free or is provided by the Government at a nominal charge, many children have no alternative but to leave school either to earn a living or to supplement their parents' income. And in most cases, they have to go on doing this all their lives. This means that even if they later want to make up for what they lost in their youth, they simply do not have the time, energy, or money to complete their education.

A wholesome effect of the rapid spread of the facilities for secondary and higher education has been chiefly responsible for

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facilitating vertical mobility of labour in our country. But the quality of education imparted calls for substantial improvement. An undesirable growth of facilities for general higher education, specially at the under-graduate stage in arts, commerce and humanities has resulted in a higher incidence of unemployment among the educated. A sizable chunk of the educated graduates in some States has been declared unemployable and hence out-classed because of their extremely poor knowledge, inability to write correctly, and express themselves even tolerably despite their possessing first-class and high second-class degrees, earned mostly by resorting to unfair means in the examinations, lenient valuation of scripts and award of grace marks, besides other malpractices, such as appointment of examiners and moderators of question papers by the University authorities, who have been mere playthings in the hands of the politicians, since they have been appointed by them, at the behest of and from the panels endorsed by the V.I Ps, let alone frugal teaching (examinations are reportedly held after teaching hardly for six months, when actually the students are supposed to be taught during two full sessions). The teaching profession remains the only opening for these "talents" to try for, as there is no written competitive test for the applicants to sample their knowledge for this. But in that area too "*Pairvi*" is their only ray of hope.

The demand for education stays high because the private cost of education is low and a higher level of education is generally associated with better employment, a higher level of income and a better status in society.

Our higher education system has failed to promote and maintain excellence and high standards in academic programmes, whet pure scholarship and extend the frontiers of knowledge. The academic institutions in many parts of India have declined into seats of corruption in virtually all matters—admissions, examinations, appointments, and so on. The majority of seats, top positions in examinations and appointments are monopolised by the traditionally dominant castes there. Politics has infiltrated into them. The teachers use students as pressure groups by taking advantage of regional or caste or communal links to further their personal interests. The teacher-politicians and the political activists stop at nothing but to induct students into nasty politics with a view to embarrassing their adversaries in the campus or the Government. The students are indoctrinated and motivated and most agitations are "engineered". However, this is not to deny some genuine grievances. The net result is that teaching, and good teaching for that matter, is the first casualty. Pseudo-researchers have a hey-day. Discipline is at the lowest ebb. Touching even the worst offender is now a herculean task. Honest and hard work is not at all recognised. The sycophants rule the roost at all levels. To keep the masters pleased at all costs has become the *summum bonum*; other things are beside the point. The masters do not want work; they want their wishes,

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right or wrong, fulfilled. A politician-teacher is ninety-nine times more powerful than a non-politician teacher, even if he becomes his vice-chancellor.

Summing up, our educational system has so far failed miserably to help the growth of initiative and enterprise, make for horizontal and vertical mobility, open up wider opportunities for employment and enable the breaking down of caste, class and regional barriers so as to bring forth a purposeful change towards an egalitarian society. It is therefore obligatory on the part of the well-wishers of our educational system to refurbish its image and to emancipate it from the riff-raff that has engulfed it.

Since educational outlays compete for resources, which are limited, it is necessary to determine what proportion of national income should be dvoted to education. Also, within the educational system itself our supreme task is to choose priorities for the various possible forms of education and training.

The elimination of the "mismatch" between job expectations generated by the educational system and actual job opportunities (which have reached a saturation point) provided by the development process should occupy our attention. Even though the educated manpower currently accounts for only 10 per cent of the total labour force (age group 15 to 59), the problem of unemplyoment of this segment of the population looms large in any discussion on employment and unemployment because of the investment by the society of enormous sums of money in the education and training, and also because of the need for proper utilisation and matching of jobs with qualifications and expectations in their case. Although the educated youth (in the age group of 15 to 29) constitute 11. 5 per cent of the corresponding labour force, yet they accountly for 33.2 per cent of the total unemployment—23.8 per cent at the secondary level and 9.4 per cent at the level of graduates and above. 73.8 per cent of them were matriculates. About 45 per cent of them were in the rural areas. By 1979 the number of registered unemployed, the educated predominating, had gone up to 13.8 million from 3.7 million registered in 1970. All the educated were not economically active. Those (matriculates and graduates) going in for higher education or otherwise not actively seeking jobs (e.g., women in some classes or areas) were not counted as members of the labour force. The unemployed youth provided muscle power to several political parties in times of urgency or normalcy.

It follows from the above that educational planning must effectively be dovetailed with manpower planning at all stages and aspects of skill formation and development. Adequate attention should be given to optimisation of benefits springing from existing investments and facilities. Consolidation is our first and foremost need. It is essential also to transform the system of education qualitatively in terms of its value content, standards and relevance

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to life. Education, employment and development should become mutually supportive and hence catalysts of each other and should lead to the improvement of the quality of life both in rural and urban areas.

Rapid population growth in India has been a product of the revolution in medicine and public health. Most of the major diseases have been analysed, their causes located and the means of controlling them developed. At the same time, there has taken place a remarkable improvement in sanitation and hygiene. The Indian planners have regarded an investment in health as an investment in man and in promoting the quality of life. They have viewed health in its totality as a part of the strategy of human resource development. They have recommended the establishment of horizontal and vertical linkages among all the inter-related programmes like protected water supply, environmental sanitation, family planning, and maternity and child welfare, so that the benefits of various programmes may be maximised.

However, an attack on the problem of diseases cannot be wholly successful unless it is accompanied by an assault on poverty itself, which is the chief cause of it. People do not get the minimum amount of cereals and pulses that are indispensable to meet their normal requirements. The most seriously affected groups in this regard are pre-school children, specially in the 0-3 age-group, pregnant women and nursing mothers of the lower socio-economic strata and families belonging to landless agricultural labourers, small and marginal farmers, especially those living in the drought-prone areas. Early childhood mortality in India accounts for some 40 per cent of total deaths every year. The extremely high rates of death at the younger ages are primarily owing to intestinal and respiratory diseases, which cannot be eradicated by drugs alone, but call for a better environment as wall as better and more food.

The gains scored by India in the fields of education and health have been unevenly spread out. Disparities obtain not only between income groups but also between areas. The level of development of the various social services and infrastructure varies widely from State and State. Even otherwise, the schools and hospitals in the backwaters of our civilisation are starved of the ordinary facilities. According to a recent survey of the 4,74,636 primary schools, 2,82,400 had no drinking water facility; 1,88,541 no blackboards; and 1,62,008 no mats for the children to sit on. The purchasing power of the middle and upper classes as well as their political influence tended to attract the limited medical resources and health funds available, to their own service and away from the needs of the poor. Doctors tended to be drawn to more lucrative regions and practices. Funds released by the Government for the well-being of the scheduled castes and scheduled tribes were misappropriated by running fake institutions. Scholarships granted to the students belonging to these

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classes were embezzled. In some cases there was overlapping between the functions of the Central and the State agencies for lack of clear demarcation.

There is also need for spending money wisely, though not for false economy. Populism should give way to pragmatism. Maximum social advantage should be the guiding pole-star of our statesmen. Public finance is the servant of Government policy, no doubt, but we should not belittle the lesson of history that "it has itself an importance which has often reacted on the political situation".

The Minimum Needs Programme (MNP), which was conceptualised in the coarse of the first four Plans but introduced in the Fifth Plan, would be continued during the Sixth Plan as essentially "an investment in human resource development", its components being elementary education, rural health, rural water supply, rural roads, rural electrification, housing assistance to the rural landless labourers, environmental improvement of urban slums and nutrition. "The provision of free or subsidised services through public agencies is expected to improve the consumption levels of those living below the poverty line and thereby improve the productive efficiency of both the rural and urban workers. This integration of social consumption programmes with economic development programmes is necessary to accelerate growth and to ensure the achievement of Plan objectives". The MNP will enlarge the allocations to social services, which have so far got slender and puny allotments. It would guarantee that the benefits of social services reach the poorest section and the most backward areas. It will be conducted in accord with nationally accepted norms within a stipulated time-frame. The propelling consideration is the micro-level disaggregation of the programme, encompassing specific groups of people and areas. It is expected that the MNP, reinforced by other programmes, will throw up larger opportunities for employment and improved life of the rural poor. So that the experiences of the Fifth Plan period are not repeated, the planners want the State Governments, which have lagged behind, to muster their activity, to consolidate its given organisation and to avoid any further relapse to lop-sided development of the components of the MNP as between States. Already the inter-State variations in them are wide. The benefits should ensure really to the needy and the hitherto neglected, and not get monopolised by the already prosperous sections and areas. Why we stress this would be obvious from the fact that the MNP has failed to achieve its target because at present only 5 per cent of our villages can boast of common drinking water facilities; in the rest, the scheduled caste people have either to rely on charity or draw water from separate sources. Their condition has received a further set-back with the shift in favour of consolidated farms. A decline in the number of owner-cultivators, and increase of landless labour from 19 to 30 per cent of the total, implies that many more of these people depend on the higher caste landlords, who often double as money-lenders. Legislation on minimum

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agricultural wages or against usury hardly benefits them because the officers who are entrusted with the task of enforcing the laws are usually the best defenders of the old order.

Revamping Agriculture

The principal problems encountered by Indian agriculture from the standpoint of growth in the estimate of the authors of the Sixth Plan are:— (1) The uneven rate of agricultural progress in various regions leading to considerable regional disparities in the level and pace of development, (2) The wide amplitude of yearly fluctuations in agricultural production, (3) The stagnation in the production of several important crops like pulses and oilseeds, (4) The need to help the ecologically disadvantaged regions, and (5) The inadequacy of the institutional framework for enhancing the productivity of small farmers and for producer-oriented marketing. To the casual foreign visitor the rural economy appears as stagnant "presided over by the landlords and a minority of rich peasants who can be termed kulaks; of the mountainous inequalities; and an order of magnitude in which 50 per cent of all land-holdings are marginal, and account for a meagre percentage of the total cultivable area of India". To him the most critical factors are "the retrograde character of our land structure, the continued exploitation of our landless and small farmers, the persistence of semi-feudal elements in rural areas, the apathy and indolence of the rural masses induced by their age-old sufferings, and cussedness at various levels of administration". To the average student of rural India its major handicaps are fragmentation of holdings, insecurity of tenure, inadequate and untimely supply of inputs and water, lack of credit facilities, and unsatisfactory arrangements for marketing and storage.

The performance of agriculture has been low and the pace of its movement has been slow. Since 1960-61 the yields of land per hectare have increased at the compound rate of less than 1.4 per cent a year, 0.5 per cent of which was achieved through extensive cultivation. The schemes for larger production of the most commonly used oilseeds like groundnut, sesame, rapeseed and mustard have not shown results, nor have the substitutes for the traditional edible oils like sunflower, safflower, soyabean and cotton seed oil been developed with sufficient enthusiasm to let them take the place of imports. The production of pulses has not been bolstered up. The reasons for all this are to be searched for in both direct and indirect factors, as John has endeavoured to establish in his work. At times the optimistic estimates by the administration have lulled it into complacency and it has forgotten that the factors on which agriculture depends are far more unpredictable and hence the forecasts can but be tentative. Forgotten also has been the limitation of "a standardised growth package" in different areas having different agro-climatic and socio-economic conditions. "Indian agriculture is too large a

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sphere to be subjected to the discipline of a single system in any field".

All the same, Indian agriculture has rid itself of the scar of stagnation and got initiated into the process of growth. It is "over the hump"—Mrs Indira Gandhi's expression. While the weather is still a major force in our agriculture, irrigation and modern farming have provided greater security to it. During the 1970s grain production rose at an average rate of almost 3 per cent a year, compared with the population growth rate of 2.2 per cent a year. The average yield of wheat per hectare was (in kg.) 851 in 1960-61, 1307 in 1970-71 and 1574 in 1978-79. The average yield of rice per hectare (in kg) was 1013, 1123 and 1334 respectively in those years.

Over a period of seven years, 1965-1972, India had expanded its wheat production from 11 million to 26 million tonnes— "an increase in production of a food staple unmatched by any other country in history". Not all regions are suitable for producing all crops. There is a certain measure of specialisation. However, with the recent improvements in technology and the supply of inputs, many areas have exhibited the potential to grow non-traditional crops at a low unit cost. The spurt in the national average of yield of rice per hectare given above is explained to a significant extent by the impressive record of a few traditionally non-rice growing States like Punjab and Haryana and some pockets in other States. The rise in the traditional rice-growing States of Madhya Pradesh, Bihar, Orissa and West Bengal was between 25 per cent and 45 per cent of that achieved in Punjab. Between 1972 and 1979 a break-through was achieved in rice production in Haryana, Punjab and Maharashtra. Production in them was 4.6, 9.5 and 7.4 lakh tonnes respectively in 1972. It rose to 12.4, 30.7 and 22 lakh tonnes respectively in 1979. There was wide disparity between yields from demonstration farms and the actual yields even in States like Punjab. Compared to the national demonstration of 77 quintals of wheat per hectare, the average yield in Punjab is only 28 quintals, while in Bihar it is only 12 quintals.

Rice and wheat are not mere crops; they are a way of life. The inferior, less palatable crops are less acceptable and are resorted to perforce because of the relative shortage of good foodstuffs, as also because they offer better quantitative returns and take less good land.

There have been periods when industrial production has slowed down but agricultural production has come to our succour. Again, there have been periods when the slow progress of agriculture has set a rigid limit on the expansion of industry. What stands out today is the fact that the neglect of agriculture at this stage of our planning may land the country into *cul-de-sac*. The agro-industries and industries manufacturing agricultural inputs have a stake in agriculture.

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The spread effect of good agricultural production is felt in these industries. In so far as half of our exports are agriculture-based items, the failure of agriculture is reflected in a decline in our export-financed imports. This highlights the role of agriculture in fueling our industrialisation. It would be worthwhile to give an export orientation to agriculture after ensuring that the basic needs of our people for various food items are fully met and to improve our export earnings from all the traditional agricultural items.

Agricultural production is guided through extension, assistance and price stabilisation measures, and through control over crop patterns. Seed multiplication is an example of co-operation between the Government and the private sector. Our Plans have been designed to assist "the less prosperous sections of our farming population to improve their position and make a yet bigger contribution to the national economy". The small farmers have been helped through general measures, such as minor irrigation (tanks and tubewells)*, agricultural credit (particularly co-operative) and animal husbandry. They have also been helped through the SFDA set up in each of the selected districts which have run specific projects. Most of the programmes for agricultural development have been within the purview of the State Governments.

A majority of the farmers cultivate holdings less than one hectare in size. In 1961-62, 39 per cent of the holdings were less than one hectare. In 1970-71 this percentage had shot up to more than 50. But the small holdings constituted about 19 per cent of the total cropped area. Such small farmers need more area-specific and vacation-specific services rather than subsidies. This called for the promotion of the extension services and for the bifurcation of the developmental and administrative activities of the concerned departments of the State Governments. This could universalise the gains of the Green Revolution.

We may here allude to the part played by the Command Area Development Authority (CADA). The basic objective of the CADA is to help the small farmer get over the disadvantages of his smallness by founding at gigantic service infrastructure which delivers all the inputs and advice at his door on a collective basis and assists him in marketing his produce. A network of custom services is to be created to take care of the investments the farmer cannot afford individually.

The CADA is supposed to take a comprehensive view of the farmers' needs ranging from "on-farm development" works, assured and timely supply of irrigation water, supply of inputs and credit,

* The yield from farms served by minor irrigation is twice as much as that from farms dependent on major irrigation. This is due to the highly inefficient use of canal water, especially in the wet region of the large river basins. Irrigated land yields an average of around 1.5 ton per hectare The average yield is about one ton per hectare of the net cropped area.

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technical advice, etc., to a network of roads, regulated markets and processing industries appropriate to the agricultural produce of the area.

But a recent survey has revealed that most of the CADAs (43 in number covering 76 major irrigation projects in the country) have failed to achieve even one-tenth of the objective of building an integrated management system.

The Community Development Programme was disbanded a few years ago. For years it was realised upon as the main instrument of rural transformation. But it had become excessively official-oriented. It did not become self-reliant and locally rooted; it remained assisted and schematic. It not only depended on the Government initiative but also on the Government funds. Where funds were lacking, activities languished and the staff remained supernumerary.

In some circles a feeling prevails that the dismantling of the programme was a mistake. For all its drawbacks, the programme was virtually the only field agency for carrying out the development projects in many States, agriculture remaining in the forefront throughout. Where administrative staff and financial support were forthcoming, the programme in conjunction with the Panchayati Raj did excellent work in the formulation and execution of the local development projects. Besides, there was an appreciable measure of coordination and integration of the local staff. At present the parallel operation of scores of development agencies at the village level has caused complete confusion in the country-side. People's participation through the Panchayati Raj and co-operative institutions has been rendered impossible by these numerous agencies.

The basic spirit behind the Training and Visit (T and V) system of agricultural extension is that crop productivity can be improved on any kind of land, provided the farmer is advised on what to do, step by step, and at every stage of crop growth. For this the flow of knowledge from experts to farmers must be ensured.

A nagging problem before the planners defying solution so far is how to weld millions of small farmers into a system in order to help them overcome the limitations of their smallness. The system is expected to discharge two prime functions, namely, (a) Common sharing of the inputs, and (b) Effective joint control over mechanisms devised for profitable disposal of the output of the farms. A very senior and experienced administrator, Jacob, suggested some time ago that the concept of village panchayat as the lowest tier of the Panchayati Raj be surrendered and villagers be induced to form voluntary groups that would operate on the lines of community development. Only after co-operation has become a habit among the villagers should elections be organised. On this principle, the lowest unit of democratic decentralisation should be one for which the Government will be able to provide a sufficient number of experts

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and general administrators for the proper guidance of the units. Such units may be constituted at the block, taluk or district or some intermediary level.

The reasons why subsistence farms have persisted are as under : (1) The element of subsistence economy insulates them, to some extent, from the direct effects of the fluctuations of market prices, (2) The almost infinitely elastic supply of family labour to them slashes severely their cash needs and to that extent also acts to insulate them from the changes in prices and costs, (3) Peasant agriculture is not only a method of organising production but also a mode of life. As Postan describes it, periodic economic distress may make for a great deal of unhappiness but it also makes for social stability and viability.

Coming to the land reform measures of the Government, we note how much evasion has resulted from undue delays in putting land laws on the statute books and even greater delays in their enforcement. "The news went round by word of mouth that ceilings were coming, and by the time the last of the States put ceiling laws on its Statute book, the large holdings had been partitioned away". The right to resumption by landowners, recognised in certain States (Bihar in the main), causing the eviction of tenants was a concession almost "unparalleled in the history of land reform". Land transfers in other ways too have tended to defeat the aims of legislation for ceiling. Legislation to prevent eviction has been circumvented right and left. Government has pursued the land distribution programme in a most dilatory manner. All surplus land has not, in fact, become available for redistribution. The actual process of redistribution has been extremely slow. Deadlines have been repeatedly fixed for completing the implementation of the land ceilings but in vain. Till July, 1976 the land actually redistributed was less than 1.02 per cent of the area in large holdings (exceeding 25 acres and comprising 23 per cent of the total area and being 70.40 million acres in coverage) and less than 0.23 per cent of the owned area. At that time 1.02 million acres had been acquired, whereas 6.12 million acres were yet to be acquired. The current opinion is that under the continuing regime there is "little prospect of any significant change in the distribution of rural property".

The delay in land redistribution has meant that the number of families to be provided with land has soared considerably and the average area of land to be allotted to each family has therefore, to be much smaller. The condition of agricultural labour has not changed materially and in some respects has deteriorated in spite of land reform.

The members of the weaker sections who were allotted the bits of surplus land have had great difficulty in securing physical possession. Those who were resourceful were liable to fraud and corruption.

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Even in a very progressive State, Punjab, the Harchand Singh Committee has reported how well-intentioned land reforms have been jeopardised. Investigating a project to distribute evacuee holdings, it discovered that the Government auctions had sold farms incredibly cheap to "influential scheduled caste bureaucrats and public men", who had later "disposed of their lands at exorbitant prices to non-scheduled caste persons".

Considering the phenomenon of the Government being caught on the cold feet, a body of economists prophesy that the fate of capitalist farmers would take ages to be sealed. They would continue to enjoy all sorts of patronage from the Government, whatever its shade in the discernible future, and in return endorse the existing type of land reform policy, which does no violence to the capitalist framework of the economy and is calculated to tinker with it largely up to the legislation stage, thereby defusing the potential threat of their total expropriation.

Attempts at co-operative farming have suffered from pro-landlord bias. In Punjab and Uttar Pradesh many farming co-operatives have degenerated into either family enterprises or associations of non-agriculturists.

In India tenancy (which is a method of equating the demand for land with its supply) has neither worked towards an identification of real tenants nor towards promoting cost-sharing practices. Punjab solved the problem of security of tenure by simply eliminating tenants, converting most of them into agricultural labourers. This was realised without working up a social upheaval as peasant proprietorship was already the dominant mode of cultivation and tenant farming encompassed only a minor part of the total land.

Land reform has for its goal the provision of both a setting for, and an impetus to, the development of the economy. It is expected to revolutionise the make-up of village community and lead to the further euthanasia of caste as the determinant of occupational choice. Development economists like Myrdal have held the view that without sustained land reform the Green Revolution might intensify inequality in the rural sector (this has been proved to the hilt in several areas). For "a real burst of enthusiasm, a genuine release of energy among the working peasantry", for a pre-requisite of an impressive increase in agricultural production, land reform is regarded as irresistible. In so far as high income is associated with the ownership of income-producing assets and low income with its absence, the entire basis of the institution of property has to undergo an overhaul: more than the redistribution of income, the redistribution of property should be stressed. The furnishing of a production base, say, by giving the less privileged sections of our society a strip of land will at once wipe out the disability they suffer in benefiting from the development programmes in its absence and infuse in them a dose of the confidence

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which they lack. Since political power is a function of the area of land a person owns in the village, redistribution of land will *ipso facto* involve redistribution of political power as well. But these will remain mere naive assumptions if the measures do not prove effective.

To make land reform successful, first of all, the indefinite right of resumption, wherever it exists, should be extinguished. Simultaneously, steps should be taken to record the interests of tenants and share-croppers in the land records. Short of this, the protection available under the tenancy laws will not ensue. Furthermore, consolidation of holdings should not result in the extinguishment or abridgement of the interests of tenants and share-croppers. Therefore, consolidation operations should be preceded by an enquiry into the existence of tenancy interests and these interests should be recorded before ownership is altered. Next, the States where the land rent exceeds the limit accepted at the national level, i.e., one-fifth to one-fourth of the gross product, should scale down the rent through legislation.

It is necessary also to review the existing land reform laws and to introduce the desired corrections and modifications in them in the light of actual experience and secure effective implementation of those laws so that no vacuum contrary to nature lingers.

Until this materialises, agriculture labour should be protected. There are various types of servitude and many degrees of bondage of agricultural labour in India. The social liabilities from which large numbers of agricultural labourers continue to suffer in many parts of the country are, in a large part, connected with their economic status and the lack of bargaining power which marks their role as landless agricultural workers in a situation of over-all labour surplus. A very large percentage of them belong to the scheduled castes. Average literacy among them is nearly half the national figure. The lot of those belonging to the scheduled tribes is worse. Generally, a child above the age of 10 is withdrawn from school because it is economically useful to its family. A subsidy equivalent to its earning might succeed in keeping it at school.

The policy of reservation of jobs for the weaker sections has done them some good, no doubt, but it has created amongst them new elite groups which are averse to identifying themselves with their ordinary brethren and lead them in their urge for social uplift, except on the eve of elections, which are apt to benefit them and them alone. Their problem is essentially that of economic development of their areas and of integrating their economy with that of the rest of the country. The individual welfare and the schematic block approaches have flopped.

According to an oft-quoted thesis, what keeps an underdeveloped area underdeveloped is "not so much a shortage of capital as it is shortage of innovation". It is, however, no longer true that the

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farmers in the underdeveloped areas are inherently sluggish, torpid, unresponsive to incentives, or "stuck in the sands of time". Likewise, the small farmers are not less progressive than the large farmers in their willingness to adopt modern inputs and practices. But the fact that probably three-fifths of the cultivating families have little or no margin for innovation and risk-taking explains the lack of dynamics and regenerative capacity amongst small farmers.

It is high time that new technology is creatively adapted for use on the small holdings that are viable, and their owners be provided with the means to adopt it. Even the most adverse reports on the relative efficiency of small and large farms (see, for example, Sampath's study based on the farms in Deoria district of Uttar Pradesh) admit that the small farms are marginally more productive than bigger farms in terms of a particular measure of productivity, namely, gross income generated per hectare of cultivated area because of intensive utilisation of land and other inputs like labour. They are more productive in the production of certain crops. These reports show that (a) there is ample scope for increasing farm income by utilising available resources and available technology more efficiently, (b) the contribution of technical in efficiency to total efficiency in the system is not only significantly high but is more than the contribution made by allocative inefficiency, (c) system rigidity and inefficiency is as much responsible for the prevailing economic inefficiency as the individual's non-optimal behaviour in choosing the proper technology and in the allocation of resources and (d) the only way left to boost the small farmer's income is to provide gainful non-farm employment for him and his family during off-seasons, besides increased supply of inputs and credit.

It is high time also to make sure that the introduction of technology innovations is commensurate with the need to utilise a growing rural labour force as far possible. Some forms of farm mechanisation like pump-sets are beneficial because of their positive employment effect.

The larger farmers at present corner the supply of inputs and of credit. The Government must foil such activities. It should also find out why the same inputs which produce splendidly good results in selected areas fail to do so in large parts of the country. About 70 per cent of India's current fertiliser consumption is accounted for in 109 out of a total of 380 districts in the country. During the last twenty-five years fertiliser consumption has risen nearly 43 times, indicating a growth rate of about 167 per cent per annum. But the average annual rate of growth of consumption during 1955-56 to 1980-81 dropped from 50 per cent to 27 per cent and finally, to 18.5 per cent. During the last five years the over-all rate of growth of nitrogen, potash and phosphates dropped from 3.2 times to 2.5 times. The hike in the prices of fertilisers and the variations in weather conditions have affected their consumption, though offset to an extent by the subsidy given.

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One formidable impediment to the development of the rural community has been the crisis of leadership. Leadership has presumably been assumed by those who do not possess the best managerial, administrative, innovative and policy-making skills. They have belonged to the traditional elite groups and sought to turn the new circumstances to their sole advantage. Their learning process has been slow because they were not expected to pay for the mistakes they made. This has made the general public sceptical; they fear the unknown and things over which they have no direct control. They are allergic to outsiders since outside intervention in the past has usually signified exploitation.

Purposive government action is needed to propagate the use of the new techonology by increased supply of credit which should depress the current rate of interest that stays high, by opening agro-service centres for giving timely assistance to the needs of the farmers (one instance is the stoppage of work when the farm equipment cannot be repaired locally and has to be taken to distant places), supply of spare parts, and so on. The Government should take care of those areas also which are less endowed for agricultural production. The Indian scientists shift their attention to discover and breed location-specific varieties of grain so that optimum yields are obtained from all types of cultivable land. The recent advances in molecular biology has unfolded immense possibilities for agriculture. Research in genetic engineering for fixation of nitrogen would create a renewable source for replenishing the nutrients in the soil. Efficient agriculture calls for the maintenance of a biological and physical equilibrium in the production system. This would require a multi-faceted approach. The new technology demands a rigorous time-discipline, for this has a mighty bearing on crop yields and farm incomes.

We would like to elaborate the point made above concerning rural credit. Indian agriculture is no longer as much starved of capital or credit as it was previously. Increased irrigation facility has stepped up the demand for fertilisers and the latter in turn has stepped up the demand for credit, which has now become a key input in all programmes of agricultural development. Along with changes in agricultural marketing the changes in agricultural credit have altered the very unequal relationship between the farmer and the trader, and by doing so have stimulated agricultural progress. The burden of rural indebtedness has been considerably reduced. The public credit system has proved a powerful means of reducing rural disparities by obviating the inequity of usury, raising income and bringing about a radical change in the distribution of major non-land assets, such as live-stock and irrigation capacity.

Institutional credit has been expanded. Its proportion in total agricultural credit has grown from a trivial figure of 7.3 per cent in 1951-52 to 18.7 per cent in 1961-62, to an impressive figure of 40

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per cent in 1970-71. Co-operative banking and credit play a significant role in the rural economy of a number of States. They have freed the small farmers from the money-lender-trader system and made them development-minded. The Reserve Bank of India maintains the National Agricultural Credit Stabilisation Fund. The co-operative banks are assisted from it.

Subsequent to their nationalisation, the commercial banks have put in significant efforts to augment the flow of credit to agriculture, which receives priority in their lending operations.

In 1979-80 bank credit to the farm sector was Rs 850 crores (Rs 450 crores short-term and Rs 400 crores long-term). In the same year co-operative credit to that sector was Rs 1,575 crores (Rs 1,300 crores short-term and Rs 275 crores long-term). The commercial bank credit has largely flowed to areas where the co-operative credit structure is already well-established, thus leading to duplication.

The main burden of providing credit to agriculture would continue to be on the co-operative sector because it is the most widely distributed and organised credit system for performing the vast task of purveying credit to the rural areas. The commercial banks would be expected to assume greater responsibility for supplementing the efforts of the co-operative credit agencies. The former directed one-third of their total lendings (16 per cent to agriculture) to the priority sectors but the Government desired them to rise to 40 per cent. In 1969-70 the total advances through the primary credit societies to borrowers with land upto 2 hectares was 27.5 per cent of the total loans. As of today, the share of small farmers in the co-operative and commercial bank credit is about 23 per cent.

One of the most striking development has been the progress of land development banks which handle long-term credit needed for land reclamation, land shaping and construction of surface works, tubewells and other works of minor irrigation.

The expansion of institutional credit has not fully filled in the gap which emanated from the retreat of the traditional money-lenders from the private money-lending business (wherever they operate, they are believed to be more apathetic, more rapacious, more unscrupulous and more callous) and the migration of a number of them to the cities (as an aftermath of the legislation aimed at curbing their malpractices). A new dimension in rural financing is the entry of the owners of large-scale agro-industries *vanaspati*, cigarette, sugar, jute and cotton textile) in the field with supply of inputs and credit to the farmers in specific regions growing and selling raw materials to them in return.

A distressing recent development is the diminishing flow of funds in the rural economy. A tradition of non-payment of agricultural loans has developed for a long time now. Hitherto *taccavi* loans

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used to be extended to farmers and the rural poor affected by floods and droughts. They were in the form of grants and were not repaid. A similar mentality has emerged in respect to the loans advanced by the nationalised banks. The latter have become co-ordinate with the Government. It has been the common experience of these banks (the co-operative banks have not fared any better-bad debts have accumulated with their members too) that the richer and landed sections of the rural population have a greater tendency to jump loans. Not only do they wilfully default, but by exercising their influence over the local administration and with direct threat to the officers of the financial institutions, they could usually forestall all legal proceedings for the recovery of the loans. They largely dominate the main channels for offering institutional finance in the rural areas and even control their recovery operations. Because of the problems linked with and the high cost of granting loans directly to the farmers, the banks have primarily funded the co-operative societies which, in turn, offer assistance to the agriculturists. Large loans accorded to the co-operative societies are now invariably overdue and the managing committees of the societies are evincing no interest in their recovery. In several cases members of the managing committees are themselves the principal defaulters. Recently, the Reserve Bank of India directed the banks and the co-operative credit societies to sanction loans to the farmers only through third parties like dealers in pump-sets, tractors, etc., who, in turn, charge interest ranging between 15 per cent and 25 per cent.

The low recovery rate has had a direct bearing on the flow of fresh funds. When loans are repaid, not only these could be redeployed among other suitable borrowers, but the banks and financial institutions feel encouraged to undertake further commitments.

The large farmers are wont to borrow credit mostly for mechanising their farms, whereas the medium farmers borrow it mostly for irrigation. Studies in Punjab have shown that big farmers are more unwilling to pay back loans than small farmers, or even landless labourers. They have shown further that there is a concentration of institutional credit in favour of farmers with larger holdings when farm population is used as a measure of credit allocation. However, institutional credit is evenly distributed when their operational holdings are used as a measure of credit allocation.

The credit delivery systems of the co-operative and commercial banks should be rejuvenated. Procedures need simplification. The most needy among the target groups (which supplant the area approach) have to be systematically identified and appropriate investment projects for them have to be prepared. Security-based lending has to be reoriented to project-based lending. Credit-cum-input supply *melas* (fairs) have to be organised before the onset of *kharif* and *rabi* sowings. The rural poor have to be made aware and motivated. Norms have to be fixed for assessing the credit needs of the farmers crop-wise

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and region-wise. The agencies have to guard themselves against canalisation of the easily available bank funds into extravagant and low-return projects at the cost of more profitable outlets and against the piling up of bad and dubious debts. The Government should refrain from erring on the side of assistance to the farmer as an act of faith, vindicated or not, by the future course of agricultural production. Blind indulgence has proved to be a bad economic proposition. The credit guarantee schemes already initiated and the crop insurance schemes which are now being actively promoted might become mere instruments for channeling unmerited grants to agriculture, if wilful default by farmers is not countered. Not only do the projects have to be viable, but also the credit agencies have to arrange for the right type of follow-up and pre-loan services. Were the State-level corporations to promote new lines of activities in the rural sector, the lowest sections of the rural economy could be brought within the corpus of institutional financing. Overlapping in the assigned tasks of the various credit agencies must meticulously be shunned. To crown it all, proper extension and marketing services must be provided and an efficient machinery for collecting the dues must be set up.

Deposit mobilisation by the co-operative societies is vital to the mopping up of a part of the increased income in the rural areas for productive investment. This would facilitate the containment of overdues and maintain the flow of credit in an uninterrupted manner. It would help increase loanable funds for meeting the growing demand for credit in areas of intensive agriculture. By instituting internal and external scrutiny and keeping a concerted vigil, the wilful functioning of the primary co-operative societies could be held in check by the Co-operative Department. The co-operative movement should be made autonomous through special efforts. It should be purged of the inefficient and corrupt elements. It should be liberated from undue outside interference and excessive official control.

The co-operative form of organisation has abundant opportunities not only to expand but also to establish itself as viable and efficient in the process of institutionalisation of the services which the average or representative farmer requires. It should strive to reach those standards of efficiency which would enable it to vie with other forms of organisation serving similar purposes.

We now propose to comment on the marketing problem facing the agriculturists. The traders and profiteers mop up largely the benefits from the higher prices which ought to accrue to the farmers, particularly the small. They skim, as it were, the cream of the difference between the primary producer and the final consumer prices. This price-spread is very large in several cases. All leading crops are subject to hoarding, price manipulation and other abuses. The strangle-hold of merchants and commission-agents financing cultivation at high interest rates, and thereby buying the produce

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cheap is still there. Their malpractices in marketing, weighing and grading persist. The risk of crop failure due to the vagaries of the monsoon makes speculation, hoarding and trading in grains extremely profitable. By comparison, investment in actual production is less attractive. The market-conscious farmers and traders have built substantial holding power and storage capacity. The development and dissemination of more effective and cheaper techniques and facilities of storage have been used to a tremendous effect for private gain by the traders.

The Indian economy has been candidly described as "a system of shortages which operates in the interest of those who control the means of production and supply", To cite an elegant assessment by Masani, "Under the anomalous conditions of to-day, it is more profitable for the farmer, trader and industrialist to hoard or produce less and sell on the black-market than to increase production and sell at official prices". The State Governments have failed to take a strong stand against producers and traders for fear of losing their support. The situation is the worst during the lean months when scarcity is maximum and the private trade channels stick at nothing to fleece the consumers. To resolve this, producer-oriented marketing can be seriously thought of.

Co-operatives have recently made a beginning in the production of agricultural inputs, e.g., granular fertiliser mixing, improved seeds, pesticides, small agricultural implements, etc. Co-operative processing has contributed substantially to the growth of agro-industries in some States, chiefly in sugar, cotton-ginning and pressing, cotton spinning, paddy pressing, oil mills and fruit and vegetable units. The co-operative marketing structure has served as an important agency in implementing the Government food policy in recent years. A network of co-operative godowns has been established. However, compared to co-operative credit, the development of co-operative marketing of agricultural produce is of recent origin.

The co-operative movement has been uneven in its development in different regions. The eastern region, with about 27 per cent of the rural population of the country, accounts for only about 9 per cent of co-operative credit. Secondly, all along the co-operative system has been heavily biased towards the more affluent sections of the rural community, even though lip-service has been paid to helping the poorer classes. Thirdly, a large number of the primary agricultural credit societies are non-viable. Among the bottle-necks with which the flow of co-operative credit is choked, we have the existence of weak district central co-operative banks in several areas. Slackness in the recovery of loans, resulting in mounting overdues, is undermining the soundness of the structure in many areas and has given rise to stagnation, if not recession, of co-operative credit. Frankly speaking, in many parts of the country the history of the co-operative movement has been "a sorry tale of defalcations, unpaid loans and

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mismanagement". Bauer is very correct when he writes, "The co-operative societies are co-operative in name only, since their capital is often provided largely or even wholly from public funds and their operations are supervised or even administered by civil servants. The success of co-operation is contingent on the efficiency of its grass-roots agencies. It is indispensable that co-operatives are run not only efficiently but also economically.

An eminent expert on the subject (Khusro) is of the opinion that "in the whole realm of Indian agricultural policy perhaps nowhere is the harm done through a neglect of economic theory greater than in the area of pricing of inputs and outputs". According to him, agricultural price policy has four aspects : (1) Variability of agricultural prices, which determines the riskiness of farming; (2) Relative prices of various crops which affect the allocation of land and other inputs among crops; (3) Ratio of the general level of agricultural product prices to the level of agricultural input prices; and (4) Ratio of the general level of agricultural product prices to the general level of non-agricultural prices.

The Agricultural Prices Commission set up in 1965 was enjoined to take into account coast of production, inter-crop price ratios, etc. in making its recommendations. A systematic study of input costs for the principal crops, based on farm management studies and other surveys in different regions was organised and some basis for its price recommendations emerged only by 1974-75.

The Planning Commission has always taken the line that the farmers have to be provided with remunerative prices by paying due attention to their cost structure. It has felt that while a rise in the food procurement prices is justified in view of rising production costs, efforts should also be made to enhance issue prices so that the difference between the two can be maintained at the existing level.

Too little is yet known about agricultural production costs to make rational price-fixing possible. Besides, in an inflationary situation the scope for providing incentives to the farmers for increased production cannot be large. But increasing agricultural output necessitates larger purchases of foodgrains by the Government agencies. The effectiveness of the policy of minimum support prices for the main agricultural commodities, viz., foodgrains, sugarcane, jute and cotton, has varied considerably depending on the adequacy of the relevant purchasing machinery, such as the FCI, the STC and the co-operative marketing organisations.

Poor transport and communications, marketing and storage facilities entail undue regional and seasonal price variations and depress returns from agriculture. Restrictions imposed on the inter-State movement of foodgrains (e.g., rice and wheat) cause sharp variations of their prices (up to 200 per cent) between surplus and deficit States. The insistence on the part of the Government that farmers

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should receive a low, controlled procurement price for their produce obliges them to dodge the established markets and sell on the sly in the free market. In consequence, procurement suffers, and even production in the next year falls off. The total consumption by the growers is increased. In the absence of any curb over the movement of foodgrains between the States, the traders (internal and external) buy them direct from the farms without paying various levies or from the official *mandis*, if there is no ban, and if there is a ban, then they do so using clandestine methods. The ban on the inter-State movement of foodgrains may be imposed by clamping an informal zonal system, under which the railways might be forbidden to book wagons for their transport on private trade account and road transportation might be restrained by installing check-posts at the borders. This is exactly what happened in Punjab and Haryana in 1981 in respect of wheat. The inference that one can draw from this is that the procurement prices and the price supports for crops should be revised regularly in the light of the costs of their production, if the intended impact on their acreage is to be realised. This brings us to the examination of the relationship between the two.

Investigations carried out in the country go to show that higher agricultural prices make farmers in many parts of it readily receptive or susceptible to new practices and inputs, they have resulted in curious shifts in the cropping pattern. Dharm Narain found ample evidence in support of this hypothesis. In the case of Punjab, Raj Krishna discovered that all crops, except jowar, barley and gram, had positive short-run price elasticities (take for example, rice, wheat and sugar-cane). Elsewhere too there has been enough evidence to show that the production of competing crops is elastic to their relative price changes. Shifting of land acreage from food-crops (e.g., wheat, jowar, bajra) to oil-seeds, pulses, cotton, etc., is possible in many areas as well as profitable because of the relatively high rise in their prices in recent years. The control of the prices of foodgrains as well as their imports acted as a depressant on their production and as a spur to that of commercial crops. The low issue price of imported wheat retarded the growth rate of production of coarse grains but not of the superior varieties of indigenous wheat, of which coarse grains are not a substitute, as Bhatia has discovered.

Tyagi's main findings are that farmers expect prices which they are likely to get for their products in the form of ranges of prices within which the future prices are expected to fall. The expectations about the future prices are mostly based on the observed behaviour of price movements during the preceding two years, though other (non-price) variables like governmental action also influence expectations, to some extent. Farmers are price responsive. The acreage changes significantly with changes in the relative expected price of the crop. However, the acreage under a cash crop responds more significantly in comparison to acreage under a crop which is a staple food crop of the area.

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The studies available on the relationship between price and marketable surplus of food are divided : Some (by Mathur, Ezekiel and Khatakhate) show that it is in verse, that is, prices and marketable surplus move in opposite directions. The supply of surplus farm produce is price-inelastic. Others (by Dandekar, for instance) domonstrate that it is positive and direct, though that may be true of the viable sector, if not of the subsistence sector, in agriculture. The events in recent years have substantiated the latter thesis.

The current practice of maintaining a large number of unproductive cattle just for the purpose of getting manure is to be discouraged. The organic manure actually provided by them is adequate for no more than 5 per cent of the cultivable land. On poorer land, which constitutes the bulk of the farmed area, it is much less effective.

There should be rational management of natural resources. We should take care not to upset the ecological balance in nature, which destruction of the natural resource-base by private persons is bound to do. For every kilogram of food that is produced, more than a kilogram of firewood fuel is needed to cook it. If new sources of energy are not found, the prospects of Indian agriculture would be bleak. With 15 per cent of the world's population, India has only 1 per cent of its forest wealth and it will all disappear within 20 to 30 years, if our trees continue to be "massacred" at the present rate of one million hectares of forest a year without corresponding replanting. The devastation of our greenery is alarming. We are left with 35 million hectares of forest cover, or about 10 per cent of land area of the country.

Soil erosion causes serious problems of annual floods and drying of water resources. India is losing crores of rupees every year in terms of agricultural, animal and forest production as a result of wind and water erosion over about 150 million hectares. One of the indirect losses of water erosion has been a reduction of the life expectancy of the major and medium irrigation and multipurpose projects on which over Rs 10,000 crores have been invested in the past three decades. In most cases there would be no alternative sites for dams once the existing ones are rendered useless because of the high rate of sedimentation. The irreplaceable potential for irrigation, electricity and flood control that these dams represent is at stake. The threat to the hydel potential is a particularly serious matter in the context of the deepening energy crisis.

The key to the problem of soil erosion lies in the effective use of adequate legal and executive powers to provide the necessary protection to the land which could be restored to health. Such powers must also be used to ensure that the land is exploited strictly within the limits of its productive capacity and is not allowed to degenerate again.

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We would like to wind up by making a brief reference to the contemporary rural scene. Cassen remarks pertinently that "explanations of agrarian unrest in India should take account of the conditions of work and life, the consciousness of these conditions, and the political organisation of the consciousness". The rural sociology and the balance of political forces in the country-side constitute its very knerve-knot. The possible sources of change are far too many for "any simple theory to yield intelligent predictions." The growing militancy among the economically weaker sections of the rural society which are regarded with social contempt by others, might be a sign of their growing relative poverty, as also of their growing political consciousness. Clashes and murders for small strips of land have become rife, for land is "the most time-honoured form of property" and its owners consider it a part of their own being and defend it to the bitter end. But the pace of change is exasperatingly slow because "the people who are conscious of the need for reforms are those whose stake in them is limited and circumscribed by their own personal situation and those who have the maximum stake in them are neither fully conscious of their need and potentiality nor organised to make their power felt". Sinha (S.), who has delved into the intricacies of this issue, points out that in most cases where the peasantry has been organised and assimilated in the broad national political current, it has been the work of the intelligentsia which was either city-bred or had a close contact with the cities. But their involvement with the peasantry has always resulted from a larger ideological commitment for bigger political aims. The leftist leaders have preferred to work among the industrial workers because it has offered them greater financial backing. In addition, taking residence in the city has provided them with a better command over the means of publicity and levers of power. Even the leaders of the peasants spend their time mostly at the city headquarters and only make occasional visits to the countryside for organisation work. The political elite of both camps—left and right—belonging mostly to the middle classes, have "an ambivalent attitude" towards the rural people. They have to seek a base of support among them for their own political stability but they are wary or chary of getting involved in their problems too deeply because that would drag the economy in a direction where the cities will have to shake off some of their "frills", which might mean the elite losing some of their moorings of power and privileges as well. "Confronted with this dilemma the easiest path for the urban elite to establish a base in the villages is to create some kind of a rapport with the well-to-do farmers who share to some extent in the value system and ambition of the city elite. Naturally, this kind of relationship precludes much radical change which the elite of the left professes."

Sinha has concluded that though the leftist elite has on a national plane shunned the aversion for the poor under-class and makes conscious efforts to think and feel for the latter, at a deeper emotional

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level even this elite fails to develop the identity with this class, which is essential to induce it to work among its members, and to lift it out of its apathy into revolutionary action. Even when a member of this elite stakes his life for the people in moments of revolutionary fervour, an opening for him into the official society is always there, through which he or his family may gain entry into a world of comfort and security. As opposed to this, a rebel from the rural mass has to fight his battle till he wins or is totally annihilated with family, friends and all. But the poor class is also least able to provide a conscious leadership of its own due to its situation. This has frustrated any far-reaching reform or revolutionary action of the peasantry in India. "That also explains why the agrarian movements in the past have been like fire sweeping over stubble rather than a steady blaze. The leader belonging to the intelligentsia gets discouraged as soon as he strikes a bad patch, and not being tied by relentless destiny as the peasant is to his situation, retires into the safety of inaction or into a comfortable occupation."

If numbers were the all-important force, then the agriculturists in India, who are mostly poor, could have brought others down to their knees. But numbers are not all: "Force of numbers is not the only factor which determines the power of a social group. Economic strength, the possession of the biggest means of production, and the direct control over political power and over the instruments of information and repression are really what allow one class to dominate all others". We would like to add 'strategy', one being 'divide and rule'. All these enable one-fifth of the community to keep four-fifths of it under control.

There is unrest in rural India. There are stray cases of revolt. But there can never be a social or political revolution in rural India. The size of rural India is not a bar. Russia and China were bigger still at the time of their revolution. The greatest shock-absorber is the fact that there is distress but not despair in rural India. People have an inexhaustible capacity for tolerance. They are hero-worshippers, believers in the magic of dynastic and despotic leadership, either because they do not know the truth about it or because they are direct gainers from it. They are ideal forgetters or ideal forgivers. Cassen tries to generalise, "Many things are needed for a revolution. They include not only widespread dissatisfaction with the existing order of things and a sense that the existing government will not put them right, but also some belief in the possibility of an alternative which must be presented to the dissatisfied. . .Disaffection of the intellectuals is a further common feature of pre-revolutionary conditions". In India while some things may be there, "a credible alternative is not apparent, the majority still believe in the ability of parliamentary democracy to bring about desirable progress" and the Government is not vulnerable. Agitations are momentary, localised and fragmentary. There may be anarchy but there is always equilibrium, though half-dead.

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According to another view, the combination of a subjective condition (consciousness) and an objective condition (extreme inequality, poverty etc.) is a must for a revolution. The role of propaganda is significant. When the political parties are too bankrupt and selfish to give a lead, the intellectuals have the responsibility to prepare the ground for the transformation. But we in this country cannot set much store upon them either, knowing what they intrinsically are.

1981 witnessed a spate of agitations by the rural people south of the Vindhyas: in Tamil Nadu, Karnataka and Maharashtra. It was admitted by the majority of critics that the movement was not of the rural poor but of the rural rich, or at most, of these who had a marketable surplus and who angled for better terms, these being that the imputed value of both family labour and farm rent be taken into account at the time of determining agricultural prices by the Government, that the surplus in agriculture should be deployed for capital accumulation in the rural areas themselves, that farm debts should be written off, that a lower tariff should be charged for energy, that betterment levies should be scaled down, that irrigation charges should be lowered, that inputs and implements should be subsidised at higher rates, that support and procurement prices should be raised, and so on. They have enlisted support from most political parties. The rich farmers (the *kulaks*, who exclusively employ hired labour, who have their tenants and farm hands in perpetual bondage of indebtedness to them, for they are also money-lenders and have links with traders which help them in cashing in on engineered scarcity), wield considerable influence in the political and bureaucratic circles. Growers of cash crops and plantation owners have always exercised more influence than the common peasantry. It is this affluent, trade-oriented minority of farmers which has come to dominate the farm lobby. Pampered by certain political parties, it has become increasingly assertive. They have been pressing for the revoking of compulsory procurement in years of poor harvest. In spite of failure in their bid so far, they manage to evade the levies and/or to make over low-quality grains to the Government. The Central Government has been under relentless pressure from the Governments of the wheat-growing States to raise procurement prices. The *kulaks* have been living virtually in the Golden Age. They have had the best of all worlds. The recent agitations were not supposed to benefit the landless labourers and the share-croppers. Their spin-off gains accrued, as calculated, to the rich farmers. They obtained yet more concessions (one was the highest ever price paid to the growers of sugar-cane, ranging from Rs 23 to Rs 28 a quintal). The premonition that the aggregation of the impelling forces might lead to the spread of such confrontation to other parts of the country and the hoodwinking of the Government which the agitators succeeded in accomplishing demoralised it to such an extent that for a good many years to come it might not contemplate

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touching the rich farmers by bringing them within the fold of direct taxation, which has become an imperative need of the hour.

Reorienting the Rural Economy

There are at present in India nearly 350 million people who are below the poverty line. Of these, around 300 million reside in the rural areas. The rural poor belong to the categories of landless labourers, small and marginal farmers, rural artisans including fishermen, and backward classes and tribes. The landless labourers comprise half of the agricultural labourers. The small and marginal farmers are over 70 per cent of the farming population. The landless labourers and the rural artisans between them constitute almost one-fourth of the total rural work-force.

The improvement in the consumption expenditure of the poorest in the rural areas brought about in the Plan period, though significant, has not been large enough to lead to any substantial reduction in the percentage of population below the poverty line. In 1972-73 this percentage was 54; in 1977-78 it had declined to 51 only. In 1971-72 the percentage of population suffering from either calorie (2300 calories being the norm) or protein (57 grammes being the norm) deficiency or both was 28.8 in the rural areas.

The percentage of the poor households increased from 30 per cent in 1961 to 35 per cent in 1971. The bulk of the assets of these households consisted of their huts, some house-hold goods and live-stock.

The rural poor have either no assets or have assets with very low productivity, have few relevant skills and little input-mobilising power and risk-taking capacity and no regular full-time jobs or very low-paid jobs.

The share of the poorest 10 per cent in the rural areas in the total assets in those areas in 1961 was 0.1 per cent; it had not changed even in 1971. That of the poorest 30 per cent was 2.5 per cent in 1961; it had declined to 2.0 per cent in 1971. That of the top 10 per cent was 57.4 per cent in 1961 and 51.0 per cent in 1971. That of the top 30 per cent was 79.0 per cent in 1961 and 81.9 per cent in 1971.

The principal productive asset in the rural areas is land. In 1976-77, 72.6 per cent of all operational holdings were under 2 hectares in size and together covered 23.5 per cent of the total land area only. The small and marginal farmers fell under this category. 24.4 per cent of all operational holdings were in the size-class of 2 to 10 hectares and covered 50.2 per cent of the total land area. Lastly, the operational holdings of the size over 10 hectares, which were only 3 per cent of the total, claimed 26.3 per cent of the total land area.

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The pace of implementation of the land reform measures, particularly of the ceiling legislation, has been slow and full of loopholes so that their impact on the structure of land-holdings has been minimal.

The productivity of the members belonging to the rural poor classes continues to be extremely low. The very substantial improvement in agricultural productivity achieved through the water-seed-fertiliser technology has enhanced the earning power of the agriculturists in these classes only marginally and indirectly.

The problem of unemployment in the rural areas is, in the main, one of seasonal unemployment and underemployment. The Rural Labour Enquiry has shown that between 1964-65 and 1974-76 the number of days for which employment was available for the rural labourers had declined by 10 per cent for men, 7.5 per cent for women, and 5 per cent for children. The data on average earnings, when corrected for inflation, also reveal a decline. Wage employment from all sources did not make up the deficiency in the consumption of these labourers. The NSS data for 1977-78 disclosed that the rate of unemployment by daily status in the rural areas was 7.1 per cent for males and 9.2 per cent for females. About 45 per cent of the total educated unemployed were in these areas.

There is a drain of resources from the village to the city. The erstwhile intermediary classes have invested their savings in the urban areas in deposits with the banks and the non-banking financial institutions, in enterprises, in purchase of lands and building of houses, and in other forms. The banks located in the rural areas divert the major portion of the deposits to the towns and cities. The educated sections of the rural population prefer to migrate permanently to the towns and cities where they have employment.

The SFDA (Small Farmers Development Agencies) Programme was launched in 1971. It is specifically designed for the development of small and marginal farmers, the landless and other agricultural workers, which are known as the target groups. Even among these groups, preference is to be accorded to those belonging to the scheduled castes and scheduled tribes. The programme is to assist the persons in the target groups in raising their income level by helping them to adopt improved agricultural technology and acquire the means of increased agricultural production (for example, minor irrigation services). For this purpose the credit agencies supply inputs and credit. The persons in the target groups are enrolled as members of co-operatives. Short-term credit is advanced through co-operatives and commercial banks. Long-term and medium-term loans are advanced through co-operatives. Inputs and improved implements are subsidised. Field demonstrations are organised.

The programme assists the persons in the target groups in raising their income level also by helping them to diversify their farm economy

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through subsidiary activities (such as animal husbandry, dairying and horticulture). This is calculated to develop the assets of these persons in a more substantive form, e.g., acquisition of milch cattle, sheep, goats, poultry and piggery. Forestry and village industries are promoted.

But the programme has had a low coverage. The numbers identified for assistance represent only a segment and not the whole of the target group. Also, the numbers benefited are only about half the numbers identified. The nature of assistance given to the bulk of them comprises items which do not lead to any specific additional asset creation. Consequently, the actual impact of these items of assistance on the income of the beneficiaries varies a great deal. Besides, its significance has always been in doubt.

The reasons for low coverage are: The progressive erosion in the integrated functioning of the block agency (which has been the main implementation agency), inadequacies of the credit institutions, lack of co-ordinatian between concerned departments and inadequate support from the concerned departments to the programme.

However, the impact of the programme has been favourable where assistance has been given for developing minor irrigation sources or for acquiring milch cattle, sheep, goats, poultry, etc.

The IRD (Integrated Rural Development) Programme was first proposed in the Central Budget of 1976-77, and a beginning was made in the same financial year. This programme was intended to assist the rural population to derive economic benefits from the developmental assets of each area. It was to be comprehensive in scope. It sought a fuller exploitation of the growth potential of the concerned area, even though low, with a view to producing an optimum impact on the poverty situation there. The process of local block-level planning was to be the principal tool or instrument for this.

The IRDP was introduced on an expanded scale in 1978-79, starting with 2,300 blocks, of which 2,000 blocks were under co-terminus coverage with the previous programmes. The number of blocks had risen to 2,600 on March 31, 1980.

This programme is directed to the same target groups as come under the SFDA programme plus rural artisans. It emphasises the family rather than the individual approach in the identification of the beneficiaries. Till March 31, 1980, 5.3 million families were identified for assistance, of which 2 million families were assisted. The coverage of this programme was the largest under improved agriculture, followed by animal husbandry.

This programme has, in point of fact, tended to operate on the same lines as the SFDA programme and has faced, more or less, the same constraints.

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In 1977-78 a programme of Food-for-Work (FW) was adopted. It aimed at the creation of additional employment opportunities in the rural areas during lean agricultural seasons and to construct thereby works of durable utility to the community, with the use of surplus foodgrains available in the buffer-stock for payment as wages.

But an evaluation of the programme so far shows that it suffers from severe limitations in respect of planning and supervision of the works executed. It is operated on a year-to-year basis, with the result that its continuance for the full Plan period remains shrouded in uncertainty. The State Governments are disinclined to build the needed technical and administrative outfit to effectively plan, monitor and oversee the programme. They have also failed to develop a shelf of projects which would be the most useful from the point of view of local needs and at the same time conform to the over-all national priorities. In consequence, works of low priority with dubious utility have been taken up at several places. *Kachcha* roads which have been built can survive one or at best two monsoons. Another drawback is absolute reliance on the private contractors to put the works into execution.

The National Scheme of Training Rural Youth for Self-Employment (the TRYSEM scheme) provides short training courses to the rural youth and gives them incentives to set up their own ventures.

We have surveyed in detail the above-mentioned four programmes which the new IRDP seeks to encompass. These programmes have attained their objectives only partially. The size of the problem to be dealt by them has been enormous. The pace and the manner in which the question of rural poverty has been sought to be tackled leave much to be desired both qualitatively and quantitatively. Only a small fraction of the rural poor has hitherto been covered effectively by them. Even amongst those covered, a sizable proportion has been of those who have some land. The bottom deciles of the rural poor, namely the landless labourers and the artisans who are the poorest have in most cases been left untouched. These programmes have got reduced to mere subsidy-apportioning programmes shorn of any planned approach to the development of the rural poor as an in-built process in the promotion of the area and its resources. The multiplicity of programmes for the rural poor operated through a multiplicity of agencies has entailed difficulties in effective monitoring and accounting. The territorial overlap, coupled with different funding patterns of the programmes, has oftener than not blurred the objectives of these programmes. Finally, the dispersal of institutional credit among the various strata of the rural poor has been extremely disparate. Bulk of this credit has flowed to the small and marginal farmers, that is, those better endowed in terms of land resources. The more benefited are the former and the least the

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landless and the artisans. The share of tenants, agricultural labourers and rural artisans has continued to stagnate around 3 to 5 per cent of the total co-operative credit during the last decade. The membership pattern of the village co-operatives too betrays a similar trend: while small and marginal farmers constituted nearly 44 per cent of the total membership in 1977-78, agricultural labourers and rural artisans constituted around 10 per cent. This has been the inevitable concomitant of bracketing those who have some resource-base (chiefly land) with those who have none.

On the credit side, we have, for the reorientation of the rural economy, the advantage of a physical infrastructure which has emerged from the inauguration of the community development programme in the early 1950's, reinforced with a network of the basic extension and developmental services. One tangible effect of this has been the generation of awareness in the rural communities of the potential and the means of development. The abolition of intermediary landlords and the reform of the land tenure system have formed another milestone. The adoption of major technological advances in the mid-1960's in agriculture was a turning-point. Over the years there has undoubtedly been an impressive step-up in credit availability to the weaker sections. The co-operatives have for some time been alive to their responsibility towards the rural poor. The percentage of short-and medium-term credit to the weaker sections has moved up from 29 per cent of the total co-operative credit disbursed in 1973-74 to about 40 per cent during 1979-80 and in long-term credit to about 38 per cent. The Food-for-Work Programme has made a favourable impact on stabilisation of wages in the rural areas and also helped arrest the rise in the prices of foodgrains. In the fields of social services like health, education, water supply, provision of house-sites and supplementary nutrition there has taken place good progress, which has definitely improved the quality and tenor of rural life. Public policy in this matter has had a redistributive bias. The Minimum Needs Programme, which has been in action for the last few years in the rural areas, has been securing to them certain basic amenities in the fields of these social services as well as infrastructure like roads and electrification. The benefits of these have ensued to all, including the weaker sections of the rural community.

The newly conceived IRDP is meant to be one single integrated programme operative throughout the country, in all its blocks, replacing the on-going SFDA, IRD, FW and TRYSEM programmes. Its prime objective is to evolve an operationally integrated strategy for the purpose of (a) increasing production and productivity in agriculture and allied sectors, based on better use of land, water and sunlight, and (b) developing the resources and incomes of the vulnerable sections of the population. It envisages a household approach to the alleviation of poverty. Economic emancipation of the family, education of children, and the voluntary adoption of the small family norm are the three central pillars of this programme.

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The rural poor will be enabled to acquire productive assets and/or appropriate skills and vocational opportunities and then backed effectively with supportive services to augment production and productivity. In a word, it will operate mainly by way of transforming assets and skills. It will involve a considerable restructuring of the imput delivery system. The T & V (Training and Visit) System of extension will arrange for the timely supply of the needed inputs. The credit-cum-input supply means will help the economically weaker sections of the rural society to obtain credit in terms of the modern inputs, for which the credit is intended, without the implicit bureaucratic delays.

The first part of the main objective of the programme, stated above, will benefit those categories of the rural poor which have some land asset. Under this, agriculture will be deversified through animal husbandry, dairying, forestry, fishery, sericulture, etc. These will benefit both the landless and the landholders. Processing and manufacturing activities, based on local resources, will be identified and fully exploited. The post-harvest technology will be improved.

In consonance with the second part of the main objective of the programme, new productive assets will be created for the vulnerable sections of the rural population. Those belonging to these sections will be given subsidies to help them acquire productive assets.

The economic activities to be induced will be viable and will provide both types of employment—wage and self. The accent rests on the viability aspect of the schemes and activities because this is to be the pre-condition of success of the programme. Assistance and investment credit on an assured basis will be forthcoming to only such schemes and activities that bid fair to be viable.

This programme is to cover more than 13 per cent of the rural population and through it nearly 11 per cent of this will be lifted above the poverty line. It will extend to the hilly areas as well, where its motto will be "Store water and wood wherever possible". It is a centrally sponsored scheme and the outlay on it will be matched on an equal basis by the States.

But this programme has to have its complement in the other programme, the National Rural Employment Programme (NREP), which is the old Food-for-Work Programme (FWP) in a revised form, in its assigned task to alleviate poverty; short of which it would fail to produce the expected dent on the problem. The NREP, by offering employment in the slack season of the year, will further help the Government in bringing the farming families below the poverty line above it. Full employment opportunities for the rural work-force will be found within the agricultural and allied sectors themselves, through the intensification and diversification of agriculture based on the expansion of the on-going developmental projects. The NREP will take care of that segment of the rural poor without assets or with

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grossly inadequate assets and largely dependent on wage employment, having no source of income during the lean agricultural period. With a view to ensuring that the benefits reach the weaker sections, at least 10 per cent of the allocation for the programme would be earmarked for utilisation exclusively on programmes of direct benefit to the scheduled castes. Another at least 10 per cent of it would be specifically earmarked for utilisation on programmes of social forestry and fuel plantations.

As in the case of the IRDP, so also in that of this programme developmental projects and target group-oriented employment-generation projects are closely inter-twined; they become catalysts of each other so that the benefits to the community from the limited resources available are maximised.

The food-for-work component of this programme is suffused with the largest potential for the long-term nutritional improvement of the people, provided the chief aim of rural employment and higher incomes for the landless working population is appropriately woven with programmes in the priority areas.

The twin programmes, viz., the IRDP and the NREP, must together strive to take modern science and technology to the rural areas so that they are brought well within the material, financial and skill resources of the rural people, and that an appropriate mix of technologies is devised capable of enlarging employment opportunities in the short term consistent with the long-term goals of planning in this country.

Furthermore, the strategy of credit deployment ought to be so oriented as to equitably subserve that needs of all categories of the rural folk, with or without land. The IRDP will demand much larger multi-sided support from the co-operatives, particularly those connected with dairy, forestry, minor irrigation, water management and public distribution system. A much greater thrust than hitherto is needed in order to give a wider coverage to the poorest amongst the target group of the weaker sections. To reach this desideratum, each primary society should systematically identify the members who are below the poverty line and chalk out a specific credit plan for them in the light of individual possibilities of development and carry it out within a reasonable time-frame.

To make sure that the results expected of the IRDP are realised, the land redistribution measure should be tightened. According to an estimate, a redistribution of 5 per cent of the cultivated area from holdings above 5 acres to marginal farmers and agricultural labour households will have the effect of increasing the incomes accruing to these classes by 20 per cent.

The Panchayati Raj institutions will be particularly involved in the planning and execution of the IRDP; so will be the rural women and

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the Mahila Mandals. The block agency will have to be revamped for the purpose. This will exonerate the present planning mechanism of the criticism that it is "an esoteric exercise confined to experts."

The IRDP has every justification in a country such as ours where 78 per cent of the population lives in the rural areas. But to make it successful it is imperative that the pre-conditions of its effective execution enumerated above are fulfilled.

Stepping Up Industrial Production :

A. The Private Sector

Private industry in India is never tired of airing its grievance that the concessions made to it by the Government like reductions in indirect taxation are more than offset by rise in other costs, i.e., of fuel*, rail freight, coal and power rates and wages. This has the effect of diluting the impact the Government's exhortation to the private industrialists. A case in point is the negligible place the country's engineering goods exports, the producers of which receive maximum state support, occupy in the global trade (hardly 0.2 per cent). The labour troubles keep the management in the private sector always on the defensive. The major causes of friction between them are wages, allowances, personnel, retrenchment, indiscipline and violence.

The eastern region can serve as the best illustration. The issue of industrial licences has always been a bone of contention. The State Governments in the region insinuate that there is deliberate discrimination against their States. But one should not lose sight of the continuous vitiation of the investment climate in this region on account of the reasons enumerated earlier on in this work. The situation is characterised by the severity of the energy constraint, the ageing of plant and equipment, and the prevalence of excess capacity in a number of industries.

Broadly speaking, social and economic change has been slower in this region, compared to other regions, because of its smaller village communities. The average population of one-third of the villages is a little over 500. The spread of new ideas or mores of living and the speed of provision of amenities have both been leisurely. The States in this region (with the solitary exception of West Bengal) have a much lower share in the inter-regional trade. Their competitive position is inferior owing to the lack of access to the markets of the contiguous States and because of the lack of polarisation effect that intensifies competition from the more prosperous States. In the absence of efficient working of the props of the economy (the coal-

* A study by the Industrial Credit and Investment Corporation of India has disclosed that consequent upon the hike in oil prices, there has been a substantial increase in the energy cost of industries. The expenditure on power and fuel as percentage of the total expenditure rose from 4.8 per cent in 1971-72 to 5.2 per cent in 1973-74 and further to 6.6 per cent in 1979-80.

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power-transport complex) the investors from outside the region are haunted by a lurking, sneaking suspicion that repels them from any initiative.

With the advent of the IRDP, the cause of the backward areas in this region has received lately a peg to hang itself on. But the sluggish processing of applications for purchase of diesel pumps and power generators, for instance, at almost every level—from the bureaucracy to the banks—throws cold water on the enthusiasm of the intending investors. The banking circles repudiate the accusation by pointing out that there is a dearth of intending loan-takers in this region. They further refute it by saying that the Government notification to disburse funds to the panchayats is inordinately delayed. Moreover, there is another delay in identifying the share-croppers.

The "lead banks" scheme prepared by the Reserve Bank of India, which was given effect to a few years ago, allots specific districts to a commercial bank, which is expected to take the lead in surveying the banking potential of the area, opening branches and expanding credit facilities. But the banks cannot nourish the backward areas by setting up the infrastructure, which has to exist before commercial lending comes into play.

For revitalising the industrial activity in this region one additional requirement is the administrative cohesion of the various agencies. Also, the revival of the inland waterways in this region might prove a boon.

Reverting to the problem of private industry in the whole of India, we would like to suggest that new investments in it should accord preference to the production of mass consumption and export-oriented goods. Secondly, the capacity of the assets created by the past investments should be fully utilised. Were this to be done, at least a 15 per cent rise in production could be realised.

The Government has done a lot to develop entrepreneurship in the country by sponsoring and patronising the institutes of management studies. This has partially broken the bottle-neck in this respect. This provokes us to devote some space to this aspect of the question.

In India entrepreneurs have come from a limited number of communities, who have established various industries with their savings, by and large. Some of these communities have remained largely localised; others have moved out to different parts of the country where opportunities for various ventures have existed; still others have evinced dual mobility in the sense that they have remained rooted to the centres of their origin but have spread their ventures over a large area. The entrepreneurial groups in different areas have been "cloistered". Newcomers have been deterred from entering it even

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when large-scale opportunities have existed. These entrepreneurs have brought people from their own regions to man the cadres of their units. The higher, echelons if not all the employees, have come from outside. The local people have been taken mostly in low-paid positions and exceptionally in technical posts, if suitably qualified. These entrepreneurs, being outsiders, have not generally taken a lively interest in the community life of the area. Funds have flown out from that area to the mother States of the entrepreneurs. There has been a glaring want of communication between different rungs of the organisational ladder in the enterprises run by them. These entrepreneurs have looked for immediate profit rather than the long-term prosperity of their businesses. In some cases, even workers have come from outside. Tension has originated from this.

Unfortunately, the situation engendered by the public sector enterprises (most of which are private limited) has been no better. This has obstructed regional economic development. The limited companies under the Central Government are controlled by the Centre under a Central enactment and the States have almost nothing to do with regard to their working. Even the companies run by the States operate under the Central jurisdiction. Corporate taxes accrue to the Centre. The local markets have not been shown any preference. Despite the industrial setting, people coming from different regions remain clung to their own groups. This hampers the emergence of an integrated industrial culture and helps the growth of a "money order economy" with roots established in the area of origin rather than in the place of work, as Chatterjee's study has brought out. The recent agitations mounted in certain parts of the country by the "sons of the soil" against the prejudices of these entrepreneurs or managing directors have underlined the necessity of a change in their posture.

The necessity of central controls to bring about an adjustment of the economy as a whole between the propensity to consume and the inducement to invest is not open to question. The enlargement of the functions of the Government involved in the task of adjusting the two is defensible. Without a stringent control of private industry the talk of a socialist state is a mockery. A planned economy must work through controls. But in India "enforcement of controls has latches; they could not be worked efficiently". They have "got at cross-purposes". They call for "simplification, synchronization and coherence". The strait-jackets of controls and licensing procedures, which have been constantly nagging the private industrialists, have not prevented concentration of increased activities in the large-scale industries.* The Government has, however, succeeded marginally in in restricting the expansion of the capacity of the larger houses in areas in which the small and medium enterprises can do through the

* In 1975-76, 90 million people in India had total economic assets of Rs 1,050 crores, while the Tatas and Birlas had assets over Rs 1,100 crores each.

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MRTP Act and the licensing policy. It should use these powers together with that of representation on company boards more scrupulously to brush aside the abuses associated with the concentration of industrial power. Its policy to restrict the areas of growth of the large houses to capital-intensive industries has led to the growth of their share in the total industrial activity. The Foreign Exchange Regulation Act has arrested the growth of foreign companies in the low-priority areas. The share of foreign investment in the total industrial economy has fallen. They nevertheless remain dominant in the drug industry and a few consumer goods industries.

During 1980-81 licensing requirements were eased, allowing companies in the core sector to expand their capacity at 5 per cent for five years. Export production was exempted from the licensing restrictions. Units exporting all their output were to be exempted from all import controls and duties and to receive a favourable tax treatment. They were not to be subject to the prevailing laws on foreign participation.

A suggestion put forth by some quarters is that if the taxes on exports of certain commodities result in their diversion to the home market, then they should be withdrawn. Another is that import liberalisation that stunts the growth of science and technological self-reliance of the country and worsens the prospect of employment generation may lead it along a suicidal path of borrowing from the IMF on an unprecedented scale. This may only postpone the day of reckoning with the balance of payment problem and give the IMF the power to impose its "own style of economic discipline" on us. One of the first victims of such discipline may well be the NREP (so far as its old FWP counterpart is concerned) and the public distribution system, which offer some respite to the poor in India.

We would like to advocate an unwavering adherence to legal certainty and to the rule of law by the Government so that "indeterminate subordination" of private industry is averted and those who "labour and spare" are permitted to enjoy the fruits thereof. The Government should, therefore, administer prices on the basis of a reasonable rate of return on the net worth of a company. The minimum rate of return should provide a reasonable margin over the long-term bank deposit rate and should depend on the extent of risks and complexity in the industry concerned.

There is need for adopting anti-pollution measures in the mining areas since mining operations leave not only surface scars but also touch off a process of disequilibrium in the land, water and air regimes in those areas. Landslides, deforestation, smell, smoke, noise and vibration, and damage to the sites of cultural, historical and tourist importance are some of the deleterious and obnoxious effects which emanate from disregard for the environment. These social costs must enter into the cost-and-benefit analysis, with the aid of shadow or accounting prices, of production, whether in the private

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or public sector, and suitable correctives should be provided to mitigate those effects.

The importance of small industries, rural or urban, for the economy as a whole can scarcely be gainsaid. Six industries, viz., food products, wood and wood products, leather and fur products, cotton textile and textile products, beverages, and tobacco and tobacco products in all sectors—registered, unregistered and household—in the rural and urban areas, had 70 per cent of all units and gave 70 per cent of total employment in the rural areas in 1971.

At the end of 1978-79 the share of the village and small industries in the net domestic product of the manufacturing sector as a whole was around 49 per cent, whereas their share in the country's exports was nearly one-third of the total. They provided employment, full-time and part-time, to some 24 million persons.

Tiny units with investment upto Rs. 2 lakhs in plant and machinery and located in towns with population of less than 50,000 have been identified for special incentives. Procedures and conditions of financial assistance from commercial banks and other institutions have been liberalised and special facilities provided for import of materials and components. The Government is committed to a policy of reservation and excise protection for the village and small industries. Addition to the number of small units is indicative of the fact that a large number of unemployed people are able to raise funds to set up their own businesses. Small industry is one of the primary sectors to which the nationalised banks advance loans. For reasons, more political and less economic, the primary sectors have now-a-days become "sacred cows". In consequence, the quality of lending by the banks has declined. This is reflected in the rising proportion of dues in loans to the sick industries at differential interest rates. Public ownership of the banks has induced complacency on the part of their administration at all levels. Even now artisans and craftsmen belonging to the poorer sections of society face the usual difficulty in obtaining bank credit.

Reviewing the failure of the former Plans, the authors of the Sixth Plan point out that (1) fuller and additional full-time employment generated in most traditional rural industries was not upto the expectations, (2) the increase in the volume of production of some traditional industries was quite insignificant, although the value of their exports had increased considerably, (3) the objectives of the various programmes of improving the skills and production techniques, the development of ancillary industries, the growth of industries in rural and semi-urban areas, and improvement in the levels of income could not be achieved to an appreciable extent, (4) the common production programmes were not formulated in detail, (5) there was an increase in the number of schemes, agencies and institutions without adequate arrangements for co-ordination and

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monitoring of their activities, (6) most of the artisans, craftsmen and other small entrepreneurs failed to get a package of assistance and services, and (7) the khadi and handloom industries experienced marketing problems from time to time.

A recent study of the development of plastic extrusion industries in Punjab towns, revealed that, while it had created "a facade of prosperity" in the towns, it had thrown out of employment thousands of village artisans, blacksmiths, copper-smiths, potters, and others. New urban-based industries had wrecked rural industries. When India's most prosperous State presented this pathetic picture of village industries, it would be waste of time to refer to their position in the less prosperous ones.

It is essential that the levels of capacity utilisation and capital effciency in these industries be pushed up. Steps should be taken to check the growing phenomenon of sickness among them. The potentially viable ones should be resuscitated. Their products need redesigning to meet changed market demands. If in spite of removing the difficulties attending production and marketing the rural industries fail to acquire viability, then they should be written off the subsidy roll as the economy cannot bear the heavy draft endlessly. Excessive optimism that remedial steps of a general nature would cure the infirmities of all small industries will be unwarranted.

Employment in the small-scale sector doubled during 1973-74 to 1979-80 from 3,06,000 to 6,46,000. Production in terms of value rose from Rs 7,000 crores in 1972-73 to Rs 7,000 crores in 1979-80. Exports accounted for Rs 1,050 crores, representing 16 per cent of total exports in 1979-80. This sector at present produces several sophisticated items including electro-medical equipment and electronic systems. The Government is committed to a policy of protection for this sector as well. 834 items have been reserved for production exclusively in this sector. 379 items have been reserved for exclusive purchases from the units belonging to this sector. Notwithstanding the schemes initiated for its development, their impact has fallen short of the expectations in the terms of creation of employment opportunities. The benefit of the scheme of margin money assistance, meant for it, was diverted to the large industrial units in and around the metropolitan urban areas. According to the latest report of the Reserve Bank, more than 20,000 units belonging to the small-scale and the medium-scale sectors are sick, involving bank finance of Rs 200 crores. A spatial mushrooming or coupling together of the small and large units might prove the viability of this sector.

B. The Public Sector

We have explained before how a major structural change in the economy since the inception of planning has been a vast expansion of the public corporate sector. Nearly 60 per cent of the total outlay on industry is in the public sector. This sector is supposed to contribute

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to national savings compatible with its size. The Indian Government uses the profitability rate as an important criterion for assessing the performance of a public sector enterprise. But the rate of return on the public sector investments has been far from satisfactory despite the numerous facilities, e.g., in respect of credit from banks and loans from term-financing institutions and price advantage, etc. It cannot be denied that the public undertakings are not governed by the profit-motive to the same extent as are the private enterprises because they have to keep the service-motive above it. This may be a specious argument for not aspiring for a high rate of profit. Then there is the fact that a considerable number of sick units, particularly in the textile and engineering industries, have been taken over by the Central Government in the interest of maintaining employment. This might have acted in the same direction. Pioneering work by the public sector in the technologically complex areas has had an identical effect.

It would be untruthful and ridiculous to deny that some of the public units have attained the same efficiency level because of their improved managerial inputs as the model units in the private sector. But, in general, the public sector enterprises have been charged with low operational efficiency and lack of motivation on the part of their management to give of its very best to them. They are stated to be autonomous only in name and to be preys to political interference. Some are best with gross over-manning, which is a source of low morale and indiscipline. There are frequent changes in top management personnel. The trend is towards bureaucratisation signifying in the words of Mrs Indira Gandhi "the tendency to cling to the safe course, shying away from innovation, reluctance to try out bold alternatives". Cost consciousness is non-existent. Ministerial and parliamentary interference has evoked considerable exasperation and frustration. Labour relations are strained. Strikes, demonstrations and other forms of turmoil have plagued the public sector units. Most of these have resulted from "unnecessary and undesirable politicalisation of purely economic issues". The periodic "bouts of unrest" have not spared even the nationalised banks, LIC, Indian Airlines, Air India, Coal India and the Port trusts. The number of mandays lost, and the number of industrial disputes have been enormous. Even academic institutions have remained increasingly disturbed. The trade unions have been vociferous about the rights of their member employees but oblivious of their duties. Between the two stools—the nosey politicians and the belligerent trade unions—it has been extremely difficult to charge-sheet and to proceed against the guilty and unruly employees. A politically well-connected employee can get his top-most officer demoted or removed for his attempt to punish him. In many cases disciplinary action against the "nuisances" has been stalled by the fear that on getting elected on the tickets of the ruling political party they might avenge themselves for this and haul down their erstwhile bosses without their knowing what was happening. All the

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same, we should not play down the other part of the story that the public sector wage policy has had a chequered career, "with the principle of parity in wages being recognised and repudiated as found convenient for the management". In theory, the public sector management has been considered competent to make its own settlement without interference from the Centre. But in practice, the Bureau of Public Enterprises has fixed the norms, both formal and non-formal but even this has lacked consistency and has been arbitrary. "Marriage of conveniences" have been ruling the roost.

The problem of developing appropriate relationship between the public sector enterprises on the one hand, and the Government and Parliament, on the other, persists. It is suggested that while Parliament must oversee and review the performance of these enterprises with a view to promoting and safeguarding public interest, the manner of achieving this purpose should be such that it does not weaken initiative in the management and thus effect its efficiency.

A host of inefficiencies in project selection, inventory control and choice of techniques of production in Indian public undertakings have been exposed. Several instances of bad planning have been cited. Often no estimates of the costs and benefits of proposed projects were made. In fact, *ex-poste* social cost-benefit analysis of some of the projects disclosed that they would have dismal rates of return when their outputs and inputs were valued at international prices.

It is high time that the public sector ventures increasingly base themselves on domestic know-how, set an example in better professional management methods and usher in a new pattern of worker-management relations so that the apex authorities do not complain of a shabby treatment or of indignities at the hands of their subordinates nor give the subordinates the opportunity to allege favouritism and double standards on the part of their officers. Order must be restored in industrial relations. A moral code must permeate them.

Only if the performance of the public sector shows qualitative improvement in terms of economic efficiency as well as social welfare, would the private sector would lose ground in its protest against economic sanctions and measures fabricated against itself.

Containing Inflation

Inflation has in the last three decades become part and parcel of the being of India. As we enunciated in our work of 1967, the country has a "low-price generation" and a "high-price generation" living in the same families in a very large percentage. Chhabra mentions "another India" born and brought up in the blight of deprivation, caused largely by inflation.

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The ill-effects of inflation are felt throughout the economy. The cost-push factor keeps on throwing the finances of the public sector enterprises into a disarray. The double-digit inflation (22 per cent during 1979-80 and 16 per cent during 1980-81) affects adversely the profitability and the investment in the private sector ventures as well. Pruning of projects becomes the line of least resistance. The distribution effects of inflation are a perennial source of worry to the planners.

Prices of agricultural products exercise a profound influence on the general price-level as several of the essential articles of mass consumption as well as some of the industrial raw materials are agriculture-based. Actually, prices of foodgrains act as a pace-setter in the behaviour of general prices. Food and food products account for a weight of over 60 per cent in the All-India Consumer Price Index for Industrial Workers and of over 78 per cent in the Consumer Price Index for Agricultural Labour. In the Wholesale Price Index, agricultural and agriculture-based products account for more than half of the total weight. But the decline in the whole sale price index will have to be more pronounced, widespread and sustained to be fully reflected in consumer prices.

Prices of sugar*, kerosene, diesel oil, vanaspati, cloth, salt, wheat products, coal, etc., must be assiduously monitored and curbed and kept uniform throughout the country by means of controls and an improved and extended public distribution system. Likewise, prices of intermediates like tyres, paper, cement, iron and steel, copper, zinc, etc., must be adroitly controlled to prevent many other prices from being pushed up. The purchasing power of the poorer and weaker sections of the community should be deftly protected from erosion through the supply of essential consumer goods at reasonable prices under the public distribution system, which is supposed to function as a countervailing force, and discourage speculative activities. In trade the leading sensitive areas are the allocation of the scarce imported commodities, the wholesale trade in the agricultural commodities, and the distributive system embracing the mass consumption goods.

Greater attention has to be paid to the resolving of the difficulties pertaining to the operation of the public distribution system in lean years. The demand and supply conditions of different goods must be examined very carefully while fixing their prices and quotas to the States so that the chances of leakage are minimised. The wider the coverage of rationing and the higher the ration supplied per unit, the greater the demand for foodgrains from the public distribution system is likely to be. The basic objectives of the foodgrains distribution policy should be two-fold, namely, to assure an adequate supply of foodgrains to the urban population and to give maximum possible

* The policy of partial control of sugar and dual pricing system of sugar (introduced in 1967-68) was abandoned in late 1978 and then re-introduced.

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relief to the undernourished population, particularly in the rural areas by (a) stabilising prices of foodgrains and (b) ensuring their supply.

At present the fair price shop network, working mostly through private units, relies on Government initiative and action. There are large variations in the operation and extension of the network from year to year.

India's food problem has been an integral part of the wider problem of its agriculture. To arrive at net food production we have to subtract from gross food production 20 per cent, being the allowance for seed, cattle-feed and field and storage losses. The demand for farm products is a function of (a) elasticity of demand for these products (which is nearly 0.8), (b) projected growth of population, and (c) growth of per capita private consumption.

The run on the fair price shops is greater, the wider the difference between prices at these shops and those in the open market for foodgrains of uniform quality. One suggestion made is that the public distribution system should relate rationing through the fair price shops to the incomes of the consumers, making only low-income consumers entitled to ration below free market prices. This would be another variant of dual pricing, practised in other fields.

The buffer-stock should be built up and deployed for purposeful price stabilisation. There should be adequate and regular release of foodgrains from the Central Pool to the deficit States. The normal stocks of foodgrains with the Government should even out seasonal fluctuations in their supply and help maintain the supply line throughout the year, whereas the buffer-stock maintained by it should help even out annual fluctuations and help maintain the supply line in years of crop failure.

Rats in India are estimated to consume over 15 million tons of foodgrains a year, valued at Rs 450 crores and roughly equal to the country's import of grain. The godowns of the FCI are not immune to this depredation. It is reported that the FCI allows several thousands of quintals of wheat to be destroyed in the rainy season, causing dislocation in the supply line of foodgrains to the wheat-deficit States, particularly those in the eastern region. Damaged wheat totally unfit for human consumption finds way to the fair price shops and flour mills. Huge quantities of foodgrains are pilfered from the FCI godowns and sold at lower prices to the interested parties. Part of this pilferage is wrongfully attributed to damage by fire, and the guilty officials are not brought to book.

Methods of foodgrain procurement have varied as between States. Certain States like Maharashtra have operated with success a system of monopoly procurement with a graduated levy on producers. The scheme in Punjab of pre-emptive purchases, coupled with an efficient

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system of regulated markets, has also worked well. A suggestion put forward is that the procurement policy should be co-ordinated with the supply of essential inputs to the farmers. The procurement prices should be related more to contractual than to non-contractual costs of raising crops.

The surplus States should procure all the surplus grains that they have at prices fixed by the Agricultural Prices Commission and hand over the same to Centre for distribution among the deficit States. They should not understate their surplus nor should the deficit States overstate their deficit.

According to the latest decision of the Central Government, paddy and rice are to be procured by the States in the account of the former, as is the case with wheat. The Centre will give funds to the States for the procurement of paddy and rice but the latter would not be able to dispose them of.

Another suggestion is that the State Governments should borrow foodgrains from the public on a rate of interest (in kind) higer than that obtaining in the market. Land taxes may be collected in kind.

The farmers must be assured of remunerative prices so that they have the requisite impetus to produce more and to promote their productivity. This is essential because the output of agricultural commodities is not only subject to yearly fluctuations (mainly due to natural causes), but also the demand for these being generally inelastic, a marginal rise or fall in their output gives rise to a disproportionate fall or rise in their prices. In determining remunerative prices due account will have to be taken of the cost of production and other relevant factors, including changes in terms of trade, overall needs of the economy and interests of consumers. Price stabilisation policy for agricultural raw materials, such as cotton and jute, will call for appropriate supply prices, besides imports.

For combating inflation the need for an agricultural production programme cannot be over-emphasised. Our past experience has demonstrated that, given a massive investment programme, the degree to which prices can be kept relatively stable is largely conditional on how far agricultural production can be stepped up.

Imports of foodgrains had become a routine matter in the management of the economy right since the early 1950's. As a percentage of total export earnings, they had risen from the 1962-65 average of 32 per cent to as much as 51 per cent in 1967. The Janata-Lok Dal Government during 1977-79 had not only discontinued these imports but also had exported 1.54 million tons of them. In 1980-81 the foodgrains balance has been allowed to become precarious. After all the euphoria over the much-vaunted record harvest of 1980, the decision of the Congress(I) Government to import wheat, not as "a matter of necessity but as one of expendiency,"

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came as a rude shock to the people who were "assiduously fed on the dream of India rapidly emerging as a major exporter of food". The average landed cost of the imported wheat was estimated at Rs. 196.40 per quintal inclusive of ocean freight and incidental expenses such as for unloading. The Central issue price of wheat was Rs 145 per quintal for the public distribution system and Rs 135 per quintal for the roller flour mills. The antagonists of this policy alleged that the Government was unwilling to pay even Rs 160 per quintal as procurement price to the farmers but was prepared to import wheat at that high cost, involving dwindling of the foreign exchange reserve, on the one hand and increased subsidy, on the other—a pernicious policy indeed. They further alleged that imports brought illegal gains to the officers in the shape of cuts and commissions to the extent of 5 to 10 per cent. But the salutary effect of imports could not be overlooked. They stimulated industrial growth by keeping wages low and return on capital high. It had a deterrent effect on the farmers and traders in their resolve to hold back stocks.

The supply management strategy would also encompass certain incentives to the private industrialists so that they utilise their capacity to the maximum extent. We shall take up this point in a separate section. For the present, we would like to record our agreement with the demand by them for a fair rate of return on investment made by them, which is calculated at 10 to 14 per cent on net worth, resting on differences with regard to factors, such as risk, priority, growth prospects, etc. But encouragement of private investment in a mixed economy with a bias for the public sector may sound paradoxical, although, when seen in the context of the failure of the public sector to reap a fair return, it may appear both expedient and necessary.

In the case of steel, fertilisers, cement, etc., a system of retention prices for different producers on the costs of production, on the one hand, and uniform sale price for consumers, on the other, is in force in order to reconcile the interests of consumers with those of producers. Price changes are allowed for changes in major cost components from time to time, and an indepth review is embarked upon at suitable intervals.

To the extent that the small sector in private industry can augment its production of marketable goods with provision from the Government of its needs on commercial terms the inflationary pressures would be stemmed.

The precept that a claim for higher wages must be justified by higher productivity, otherwise a rise in wages without a corresponding rise in productivity would result in cost inflation has lost its validity in the face of inflation. When prices rise, figuratively speaking, by lift, trade unions resent attempts to raise wages by steps and press for their rise too by lift so that real wages are at least

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maintained intact. The outcome is a seesaw movement in prices and wages.

It is necessary to raise resources for the Plans in a non-inflationary manner to avert further price-hike. This is a subject which occupies us in a separate section. Measures, old and new, to unearth black money should be tightened and the parallel economy liquidated. But black money seems to defeat all carefully devised schemes, probably because its tentacles extend into the political system.

Inflation can be controlled to an extent by encouragaing savings and discouraging inessential or conspicuous consumption. The redistributive measures, one manifestation of which is the excessive rate of taxation to satisfy the indiscriminate tax-hunger of the Government with the main brunt falling on the salaried class (three-fourths of actual income-tax payers belong to this class), have played havoc with household savings. The wound inflicted by fiscal measures can be partly healed by the monetary measure of a higher interest rate policy, for there is ample evidence to suggest that savings in the form of deposits with financial institutions and certain other types of financial assets are quite responsive to changes in this rate. The inducement of the private unincorporated enterprises to grow into private corporate enterprises is expected to promote private savings.

Last but not the least, all conceivable measures to economise on costs of production and construction, proposed by the framers of the Sixth Plan must be taken. There should be careful monitoring and timely execution of the projects. The construction lags should be minimised and the lags in bringing capacity created to full utilisation should be averted. The short-gestation and the long-gestation projects should be properly harmonised. What is wanted is much greater awareness of the social costs of delay and scrapping of those rules and procedures which impede timely completion of the Plan schemes and projects.

To conclude, the level and structure of prices are related to a number of fundamental economic decisions, some of which are taken by the Government, others by the governments of other countries, and yet others lie in the hands of the individual economic atoms or molecules—the consumers, the producers, the savers, the investors—who are widely diffused over the economic space and who act only in the light of the prospects of economic benefits to themselves. A Plan tries, no doubt, to collate these related decisions and weld them into a common force but there are stern restraints on its capability in a mixed economy to alter the structure and the level of prices consistent with its norms.

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Non-inflationary Resource-Mobilisation

The authors of the Sixth Plan (see Chapter VII) affirm that the scheme of financing it has been "so designed as to be essentially non-inflationary in character." It calls for additional resource-mobilisation of the order of Rs 21,302 crores by the Central and the State Governments and their enterprises, while deficit financing is proposed to be restricted to Rs 5,000 crores. Inevitably, a Plan of development of this size will make far-reaching demands on the nation. It connotes an enormous task and would occasion a number of hard decisions. Financing of the Plan in a non-inflationary manner is necessary because the paramount need of the country is to promote self-reliant growth with stability. If prices rise, the real content of the Plan suffers an erosion. A slower growth of the economy leads to a still slower growth of the Government revenues, both tax and non-tax. If in India the rate of capital formation has not kept pace with the rate of growth of tax revenues, the persisting era of inflation has been one vital factor responsible for this. The financial outlay in a Plan has to be stepped up under conditions of a high annual rate of inflation so as to keep the real value of the resources intact and thereby achieve the physical targets. If the inflationary pressure gather momentum due to failures of crops and shortages of essential consumer goods and critical raw materials and inputs succeeded by (a) escalation of costs and prices, raising of administered prices of basic goods like steel, coal, cement and aluminium and of procurement and issue prices of cereals, (b) rising cost of living and rising wages and salaries and hence rising costs and prices, (c) expansion in money supply due to more deficit financing (owing partly to increased outlay on public consumption and non-development items*), (d) more bank credit to the commercial sector, and (e) if the balance of payments position worsens (due to sharp deterioration in the terms of trade, which can be "the most disturbing element" and rise in prices of imported food articles, wage-goods and inputs), then the physical (or real) and financial magnitudes of the Plan will get distorted, the programmes will be staggered and rephased, and part of the planners' attention will shift to the short-term management of the economy, which would mean formulating priorities within priorities. As things stand on the eve of the Sixth Plan, for some time to come the control of inflationary pressures will remain the most important task before the planners. Any relaxation of effort on their part will bring about a resurgence of inflationary pressures.

Although the studies carried out confirm the increased buoyancy of the revenue receipts, yet they show that the Indian fiscal system does not have adequate built-in elasticity to generate automatically additional resources for financing higher project costs in the wake of

* The R.B.I. Report (July 1980 June 1981) makes no bones about the emergence of a structural imbalance in the finances of the Central Government as seen from the appearance of deficits even in the revenue account in the last three years (I978-1981).

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inflation. The objective of self-reliant growth requires that resources be mobilised internally to an extent adequate to finance the projected investment and to pay at least the interest on foreign debt. To the extent that we fail to raise additional resources from tax and non-tax sources and additional internal borrowing, we have to fall back upon deficit financing in the sense of increased Government indebtedness (both short-term and long-term) to the Reserve Bank of India. That would lead to a general rise in prices and affect more seriously the vulnerable sections of the community.

As a result of progressive increases in tax rates, taxation expressed as a percentage of the country's national income at present stands at 20 per cent. In 1978-79 the aggregate disbursements of the Central and the State Governments amounted to Rs 28,841 crores, and constituted about 38 per cent of the national income. Tax revenues contributed nearly Rs 15,000 crores, approximately 20 per cent of the national income. The formulators of the Sixth Plan are emphatic that "there is thus only a limited scope for raising additional resources through taxation". Income tax, corporation tax and wealth tax cannot be relied upon with any sure hope for this purpose. But hope can be pinned on widening the tax base in the urban sector and on tapping the surpluses of the affluent section of the farming community. The major part of the total direct tax is collected from a minority of higher incomes and the majority of incomes assessed pay only a minor part of the total direct tax (for example, the business sector with 30 per cent of total income paid 50 per cent, whilst the other 50 per cent was paid by individuals and families with 70 per cent of total income). Tax rates are relatively low for the lower income brackets. They rise steeply for higher incomes. The salaried class, which has been struggling to survive the blows of inflation, has felt most subjected to an increasing measure of sacrifice for raising the resources for the Plans. Even among the salaried class there are very affluent employees who enjoy perks worth more than their salary but who feel most unhappy about falling into the clutches of the tax-gatherers. The professionals and self-employed persons (who have enjoyed the Government patronage) have a grouse (which may be legitimate only in the case of a cross-section) against the unfair deal received under the prevailing tax system.

The existing tax system has engendered an atmosphere in which tax evasion has become "morally and socially acceptable". The incidence of high taxation and the burden of the ever-climbing cost of living have brought about a relaxation of the moral standards. There is need to check tax evasion through "a strengthening of the administrative machinery for tax collection, plugging the loop-holes in the tax laws, and also through an imaginative adjustment of tax policy so as to reduce the incentive as well as the scope for such evasion." The majority opinion is veering round to the feeling that reasonable tax rates which ensure compliance with tax laws are preferable to high rates which encourage large-scale evasion.

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Outstanding tax experts (for example, Palkhivala) suggest adoption of an index whereby taxation limits are automatically adjusted with the cost-of-living index (incidentally, we pleaded for this in our work of 1967. They are vehemently critical of the totally chaotic instability of the fiscal laws which have injured the economy. Speaking of the "inanity of tax laws", Palkhivala shows that the tax laws relating to charities were changed 27 times between 1971 and 1976. The export policy was altered 80 times between April, 1980 and March, 1981. During the same period, there had been 54 changes in the import rules.

Indirect taxes should be used selectively for realising certain policy objectives, e.g., curbing conspicuous consumption, promoting economic use of scarce resources and mopping up profits in certain lines of activity. We need a tax system that "savagely punishes expenditure and handsomely rewards savings". The relatively well-to-do class should evince greater readiness to accept restraints on its rising consumption in order to release resources for the faster development of the economy. Production-oriented concessions, such as an excise duty rebate for additional output (as already accepted in respect of paper and motor tyres) are a good proposal.

The Government factor incomes accrue to the Government directly from its physical and financial assets and departmental enterprises but they are small compared to the large volume of its assets. Due to the inability of the public sector enterprises to generate adequate resources for the expansion of the public sector the resource-base of our fiscal system is weaker. At present a number of the Central enterprises are either incurring losses or are not yielding adequate returns on the investments made. To exemplify our statement, Coal India is incurring losses, and they are estimated at Rs 500 crores during the Plan (Sixth) period. It will be incumbent on the part of the functionary to eliminate these losses completely through appropriate adjustment in prices and other measures. It is reported that in the mines "the identity of interests between corrupt officials and contractors leads to bizarre representations. A large part of the output of a departmentalized mine can be shown as having been produced in a contractor's manual mine. The contractor thereby earns a handsome bonus, which is then shared with bureaucrats."

Similarly, the railways, posts and telegraphs and other public enterprises will have to adopt suitable policy measures with a view to achieving a reasonable rate of return on their investments. There has to be appropriate pricing of the domestic crude oil. The plan-makers desire that the rate of return on capital be raised from 8 per cent to 10 per cent by capacity utilisation, inventory reduction and appropriate price policy adoption by the managements of the public enterprises. Rationalisation of their pricing policies is deemed necessary for bringing their prices in better alignment or conformity

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with costs. As Prime Minister Mrs Indira Gandhi observed in her *Foreword* to the Fifth Plan, the public enterprises are not "charitable institutions or welfare organisations" and hence their beneficiaries should pay a fair price for the benefits they derive from their goods and services.

The Government should stimulate household savings by making consumption on the margin less attractive than saving. The exemption limit on interest and dividends allowed in taxation of income must be raised, so also that on the taxation of wealth. The individual tax-payers must be treated on par with the firms, and allowed the same concessions in the recuperation or reimbursement of running expenses. To surmount the growing concentration of jobs in families where both husband and wife work and together earn a sum liable to taxation, the rate must be higher. The Government ought to devise a scheme under which willing persons deposit continuously a certain percentage of their income to be provided with a house or a flat of their own on retirement. The Government should devise similar schemes for other costly consumer goods. It would be in a position to net enormous amounts of money by means of these schemes.

In 1979 India's public debt totalled Rs 50,000 crores. Interest of the order of Rs 2,200 crores was paid on it. The foreign debt totalled Rs 15,000 crores. The interest paid on it amounted to Rs 1,000 crores.

Interest receipts on the Government departmental commercial undertakings are taken as a reduction of interest liability on national debt rather than an addition to the Government factor income. Interest payments on the Government foreign debt are treated as factor income accruals to the rest of the world.

The Sixth Plan envisages an additional market borrowing to the tune of Rs 1,000 crores in pursuance of the new policy measures.

The planners prescribe utmost discipline in the management of the public finances. Severe restraints have to be imposed on the growth of non-Plan and unproductive expenditures. In respect of the subsidies the Government realises that it would not be possible to eliminate them altogether. However, it must be ensured that they are kept within reasonable limits in order to release resources for development. There has been a very steep rise in the Central subsidies in recent years. The burden on the Central exchequer on account of subsidies on food, fertiliser, export and other items has risen from Rs 470 crores in 1975-76 to about Rs 1,860 crores in 1979-80. It is estimated that at the 1979-80 rates, these subsidies would account for Rs 12,400 crores over the Sixth Plan period. So far as food subsidy is concerned, the planners propose to enhance procurement prices in the future to provide incentives to the farmers as also to neutralise the rise in the cost of inputs. But measures would be taken simultaneously to revise appropriately the issue prices

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of foodgrains and for the reduction in the operational costs of the FCI and other agencies. In the event of the cost of imported fertiliser going up, its price may have to be raised so as to maintain the fertiliser subsidy at the 1980-81 level. The planners rule out the possibility of expanding the scope of export subsidy and recommend that other measures are formulated to promote exports.

A grim picture of State finances emerged with a record combined deficit of over Rs 780 crores with the 1981-82 (being the second year of the Sixth Plan) budgets presented by almost all the States (22 in number). The Planning Commission had advised the States to either go in for further taxation or to strive to get better returns from their existing undertakings. But their new tax effort was limited to a total of Rs 84 crores by 9 States but none of the major States had balanced their budgets. All the States provided for higher Plan outlays but did not match them by encouraging additional resource mobilisation. They looked to increased Central assistance* and some Finance Ministers hoped to bridge the gaps through economies, more effective mobilisation of savings and collection of tax arrears. Revision of power and water tariffs and transport fares furnished another source. It had been made known to them that the halcyon days of their living off overdrafts were over.

Once upon a time land revenue was the backbone of the State finances. But in the course of time its importance has declined. Certain States have expressed a desire that the limit set on the total amount payable by way of taxes on professions, trade and employment, to be levied by their Governments be substantially relaxed. No State Government, except that of Kerala, has been able to levy any kind of tax on agricultural income other than on plantations. In place of shedding their age-old prejudices and touching the rural rich, the State Governments in their 1981-82 budgets made concessions to them in one form or another, having encountered their uprising. The suggestion that agricultural income tax be merged into general income tax with a view to having an integrated tax structure remains derelict. Such immunity of the rich farmers from taxation abets the process of concentration of wealth and land-ownership. This privilege of immunity is regarded as "a natural right" by the rural rich. Nearly three-fourths of the investment in agriculture has gone to the relatively rich growers of rice, wheat and sugar-cane inhabiting the fertile, high-rainfall and richly irrigated areas. An increasing part of production operations in the agricultural sector is now being conducted through markets and resulting in monetary transactions. Price uncertainty has been somewhat eliminated and remunerative prices have been assured to the growers of principal agricultural commodities. The agriculturists with sufficient marketable surpluses have benefited most from the rise in agricultural prices. Savings increase

* The burgeoning overdrafts of the State Governments stood at Rs 633 crores on June 27, 1981, as compared to Rs 109 crores in the previous year. Shorn of innovativeness their fiscal policies added to the virulence of inflation.

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with farm size under modern technology. But the State Governments do not want to spoil their chances at the hustings by incurring the displeasure of the rich farmers who are capable of spawning troubles and who at present control the rural vote banks, which are a decisive factor in the determination of the victory or defeat of a political party, especially in the context of the "waves" that have been largely swaying the electorate to this party or that in the last few years. From all evidences it appears that we would have to wait for the day when a political party will have the requisite courage to place the burden of economic taxation on this section of the population which has the capacity to bear it.

The poor do make a substantial contribution to indirect taxes in the shape of excise and sales tax. Sales tax is now the key-stone of the State finances. Were the States to surrender this tax in lieu of additional excises, as mooted some time ago by the Union Government, their dependence on the latter would become absolute. After the Constitution 46th Amendment Bill is passed, they would be in a position to collect consignment tax on manufactured goods moved out of their respective jurisdictions. The consignment tax is expected to give a big boost to the State resources.

As a result of the failure of the State Governments to devise appropriate pricing policies with respect to electricity, commercial irrigation, freights and fares, subsidies accrue to the more affluent sections in the States. The annual losses of the State transport undertakings have almost doubled within a year from Rs 110 crores in 1979-80 to Rs 200 crores in 1980-81. Their cumulative losses come to Rs 650 crores. The State Road Transport Corporations have become victims of over-centralisation and resulting bureaucratisation. The State Electricity Boards are understood to have piled up a deficit of nearly Rs 1,000 crores a year, even though five States—Maharashtra, Tamil Nadu, Karnataka, Rajasthan and Madhya Pradesh—made a profit of Rs 45 crores.

The State Governments have not been exercising fiscal discipline firmly and consistently. They have been unwise and reckless in many matters. This has compounded the imponderability of their Plan and non-Plan expenditures. The depletion of the State coffers has been shocking. The policy of advancing loans to all farmers at concessional rates of interest as also of writing off such loans incurred by all farmers and legal and contractual dues against them all is untenable. The current unilateral transfers of funds from them to the public bodies and non-profit private institutions (analogous to grants for public consumption, part of which may be for capital formation) have formed a week link in the whole chain. Accounts of these bodies and institutions (the worst case is of the educational and other academic ones) have remained unaudited for decades. Transactions made through private persons run into several hundreds of crores. Rackets have developed over the long run and the situation

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is alarming. The efforts of the State Governments to promote industrialisation of backward areas lacking potentiality through fiscal incentives and investment grants have frequently resulted in huge subsidies to the wealthy.

A few other instances of financial mismanagement can be furnished. The rate of increase in expenditure on salary and travel allowance was higher than the rate of increase in the total non-Plan (revenue) expenditure. A trend of disproportionately higher rise in the expenditure on salary and travel allowance, compared to the value of the services rendered, was detected in almost all sectors but especially in education, medicine and agriculture and services allied to it. In the social and community services the increase in expenditure on salary and travel allowance was over 50 per cent of the total value of the services rendered. Such expenditure in administration and fiscal services was 77 per cent and 82 per cent respectively, attributed chiefly to the increase in dearness allowance and a general increase in rail and bus fares. Cases of failure to realise arrears from contractors arising due to excess payment or materials used by contractors were reported.

A most glaring aspect of our public finances has been indicted as the *March loot*, and this merits our pointed attention. According to the grant-in aid rules of the Finance Ministry, all the money asked for by a Government (or non-Government) agency and approved of by the granting authority must be spent before the expiry of the financial year. If the agency in question fails to spend it, the inference is that "either it exaggerated its demands or its budget-makers were incompetent." Afraid of "losing face" or facing cuts in the budget the following year, many such agencies rush to the market in the last week of March with unspent money to buy things they do not really need. This only goes to prove "how some bad rules can make the bureaucracy behave unethically".

Oddly enough, the relatively poor States (such as Bihar) have failed to realise that the marginal significance of money to them is higher by the same percentage as their per capita income is lower than that of the relatively rich States and as such they should spend it more wisely. There is definite evidence for us to postulate that in our society even those who receive grants, subsidies, doles or reliefs do not properly calculate the marginal significances of the money thus received *vis-a-vis* that of the money earned by dint of labour. Shortfalls in the Plan expenditure, which were significant in agriculture and allied services, transport and communications and some important schemes like rural water supply, rural growth centre, etc., had been reported. A valuable portion of the Central aid had been lost by a number of the States because of delay in submitting sound and complete proposals to the Centre on the integrated urban development programme as also the Food-for-Work programme. In the latter case, records of payment relating to the works had not been maintained.

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Another queer notion which has been dominating the judgement of the Government is that allocations to and expenditures on the different sectors are the precise measures of their performance. It has been held that the size of an outlay is a reliable index of achievement. In other words, the larger the size of an outlay on an item, the higher the rate of its progress. But this has not been all. More often than not, the mere announcement of the programmes proposed has been taken as an indicator of the success achieved. It is unnecessary to point out that the amount of expenditure cannot be a dependable guide to economic progress. The results are its acid-test. This being so, it is advisable that the Government adopts more critical tests of evaluation of its Plan performance. As Prime Minister Mrs. Indira Gandhi writes in her *foreword* to the Sixth Plan, "The measure of a Plan is not intention, but achievement, not allocation but benefit."

Let us now pass on to the Centre-State fiscal relations. We would like to comment on this subject in the light of the findings of an important publication, entitled *Trends and Issues in Indian Federal Finance*, released by the National Institute of Public Finance and Policy. Over the period 1950-51 to 1975-76, in terms of collection, both of tax revenue and of total revenue, an increasing tendency towards centralisation was discerned. The share of tax revenue collected by the States in the total tax revenues of the Central and the State Government declined from 35.4 per cent in 1950-51 to 31.9 per cent in 1975-76. Similarly, during the same period, the share of revenues collected by the States in the total revenues of the Central and the State Governments declined from 38.1 per cent to 30.2 per cent. In terms of accruals, we observe that the centralisation ratios exhibit a gradually declining trend. The States' share of tax revenue accruals (own taxes plus shared taxes) in total revenues of the Central and the State Governments increased gradually from 43 per cent in 1950-51 to 46.3 per cent in 1975-76. Similarly, the States' share of disposable revenues in the total revenues of the Central and the State Governments showed a gradual increase from 47.5 per cent in 1950-51 to 51.2 per cent in 1975-76. The share of the States in the total expenditure on revenue account has always been higher than that of the Centre, but has been fluctuating from year to year. After a rise in the second half of the 1950's, this share fell to 52.2 per cent in 1965-66, but again gradually rose to nearly 56 per cent in 1973-74. As of 1975-76, it was about 51 per cent of the total. This divergence between the States' share of expenditure and their share of revenue collections (18.6 percentage points in 1955-56 and 21 percentage points in 1975-76) is a measure of vertical imbalance in the Indian Union, showing increased dependence of the States on the Centre, measured by "the proportion of shared taxes and grants to the total revenues of the States". This proportion rose steadily from about 20 per cent in 1950-51 to 48 per cent in 1971-72. Thereafter, it declined to 41 per cent in 1975-76. A declining ratio of the States'

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own revenues to their expenditures is another index of their increased fiscal dependence. There was such a decline from about 80 per cent in 1950-51 to 51 per cent in 1972-73. Thereafter, the ratio increased and amounted to 68 per cent in 1975-76. While the current transfers from the Centre account for slightly more than 40 per cent of the States' revenues, the States are able to finance only 32 per cent of their revenue expenditure. This difference is to be attributed to the fact that the revenue account of the State budgets often shows surpluses. In view of this, it is the ratio of own resources to expenditure that must be taken as the more accurate index of dependence. Since the States have been able to finance as much as 68 per cent of the expenditure through their own revenues, it cannot be stated that at least as far as the revenue account is concerned, the States have become overly dependent on the Centre.

The freedom of a State Government to adjust its supply of public services, at least within limits, to the scale of preferences of its citizens may be seriously impaired by schemes of assistance that give undue weightage to resource-allocation dependent solely on the basis of national concerns and priorities.

The question of spill-over arises in a substantial measure in several cases of public investment, such as power and irrigation. As these areas are reserved for the public sector in the Indian scheme of planning, investment in them must be decided on national rather than on regional consideration. This is one field where conflict between autonomy and efficiency may arise.

The above-mentioned publication concludes that although the federal transfers in the aggregate might not have been regressive, yet they are not free from elements of inequity in respect of certain poorer States. The per capita federal transfers to Bihar, Madhya Pradesh and Uttar Pradesh were significantly lower than the all-India average. During the Annual Plans the poorest of all States, Bihar, received the lowest per capita federal transfers so that the short-fall from the all-India average in respect of this State, by about 27 per cent, was the highest among all States. This was also true of the Finance Commission transfers. This State, received significantly lower transfers than the all-India average during the Fourth Plan period also. This is true in respect of both per capita Finance Commission transfers and per capita aggregate federal transfers.

Although the Finance Commission transfer policy has not culminated in visible equalisation in respect of any of the services (viz., administrative, medical and public health), yet the federal transfers as a whole have had a remarkably equalising impact on primary educational services. Specifically, the Plan transfers exhibit an equalising influence on primary and secondary educational services but a disequalising effect in respect of administrative services.

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The transfer of resources to the States, made necessary and possible through placing large revenue resources at the disposal of the Central Government, has to simultaneously scale down the vertical fiscal imbalance and enable the financially weaker States to come closer to the standards of the stronger States. In a country with marked disparities it might be proper to adopt population as one of the chief criteria for distributing the shared taxes. Since population can be taken to represent average needs, its use may be justified in terms of reducing the over-all vertical fiscal imbalance.

The quinquennial Finance Commissions have not so far invented "an alchemy which can transform budgetary needs (of the States) into (their) fiscal needs". This disillusionment of the States with the Finance Commissions is "metamorphosed into (their) horse-trading with the Planning Commission". As Singh aptly words it, "Because ongoing and prospective development had been made the unique function of the Plan, the resources for which had to be squeezed out of its feeder, the non-Plan, the States also began pouring out their plight before the planning body with which they had to engage in a continuous dialogue".

Of the total Sixth Plan outlay of Rs 97,500 crores in the public sector, the States and Union Territories get 51.54 per cent—Rs 50,250 crores. The Planning Commission is aware of the tight financial position of the States. It feels that any further transfer of resources to them would be at the cost of the key sectors, which is inadmissible. The State Governments have recently demanded a share in the proceeds of the bearer bond scheme of the Central Government.

Surmounting Human Intractability: Transforming Attitudes

Economic change pre-supposes conflict between the old and the new, and the ultimate triumph of the latter over the former. Resistances to it take time to be over-powered. Change sets off the desire for more change. Growth creates form but form limits growth. In a total analysis of the growth process of any economy the non-economic factors assume the same place and significance as the economic progress involves a value judgement.

In the earlier pages of this work we have commented on the contemporary social cosmology, the social scenario in India. We have given vent to our dissatisfaction over the disintegration of values, over-all frustration, despondency, misery, helplessness, moral bankruptcy, social unrest, economic crisis and political futility. The conditions in certain parts of the country seem to be beyond redemption. The nation still manages to muddle along and most people go on living as if nothing is happening. One sees the failure of both the Government to manage the crisis and the system to cope effectively with the economic and social issues which have contributed greatly to the growth of the present situation. The capability of the Government to deliver the goods is well known. Its operations are

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at a low key. The general disappearance of a work ethic, the primacy of personal interest over public interest and the obsolete nature of the Government organisation in relation to the environment or size or technology of that organisation are some of the factors which account for the inefficiency and recalcitrance of the administrative and delivery systems. Laws are abused or misused by those in the administration whose integrity is not above board.

At fault are those who have implemented the Plans and the manner in which they have done it. Politics has, by and large, governed economic decisions. And politics has become a profession with many. The Plans have been reduced to "annual exercises of allocating funds". Owing to the provision of only one mid-term appraisal of the Plan readjustments in the sectoral targets could not be made, as and when required. Moreover, the Plans were based on models which provided for the theoretical inter-sectoral consistency for the terminal year of the five-year period so that imbalances arising from year to year were not insured against.

Often mere slogans have been used as a substitute for action and for creating an illusion of achievement. The rhetoric has taken an unconscionably long time to change into a meaningful, determined plan of action. Attempts have been made apparently to divert popular attention by "chauvinistic gestures". Dramatic crash programmes have been launched, which have themselves crashed. Conflicting political pressures on the Government have discouraged firm action and led to frequent changes in policy, generating a climate of uncertainty.

One of the biggest drawbacks of the development process in India has been the non-existence of a continuing dialogue among those involved in it at various levels. Frequent shifts of top management personnel have been another hurdle.

But for the morass and the mess in which we find our society today, other factors are no less important. Ignorance, injustic, corruption, want of morality, inherited character of the people, and social and individual inertia are real obstacles to economic progress. "What is done to overcome them is a matter of first-rate concern to everyone trying to promote economic progress". A host of ominous conditions have debased our public life. The tone of our public life is degraded. The highest norms of conduct in public life" are now a sermon to be preached at crises only. The old spirit, the moral fibre, is lost. We lack the wisdom to perceive the truth and the courage to speak out to the people. Occasionally, in a vainglorious bid to just save face there is defence of the indefensible. The politician's credibility has touched an all-time low. The profits of

* This is traceable to the Predominance of the private sector in the economy which includes nearly the whole of agriculture and the bulk of both industry and the services, and this sector has to function in all situations, normal or other wise,

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of political offices have brought into being a power-structure which is the main stumbling block to the socialist transformation of the country, as Dandekar has taken immense pains to show. Corruption is practised as a deliberate policy by the politicians in power. Consequently, it seeps down the administrative hierarchy. Officers have to be gratified. Some sort of "suction" to overcome their indifference has to be established. The will of the administration to govern is undermined. Honest officers who care for the public interest are thoroughly demoralised and are no longer prepared to stick out their necks. The great Divides viz., caste, class, community and region provide ample opportunity to the politicians to maximise their personal interests and to amass wealth.

Rao ascribes lack of social discipline partly to the "lack of rapport between the elite and the masses". People, in general, are averse to work; they have to be constantly prodded into it by their bosses. But even this fails to click as people have become fearless. Federal values have perished. The collective good has been quietly forgotten. Institutional changes cannot easily reform human character and render dishonest and indolent people honest and diligent. Workers keep an eye on the clock and knock off on the dot of 4 or 5, as the case may be. Apart from this, working hours are turned into tea breaks and chatting sessions. Extra leisure is placed before extra efforts. Trade unions fight among themselves and the more militant and anti-productive a union is, the larger the following it attracts.

A time is fast approaching upon us when no one, if he is conscientious and self-respecting, would like to be the administrative head of any office or institution in view of the ever-increasing number of incidents of insult, humiliation, indiscipline, misconduct, affront and disorderliness on the part of the subordinate staff. One can discern the 'generation gap' in respect of discipline and sense of duty even amongst this staff. Finding that any strictness on their part would finally result in their own discomfiture and the victory of the flouting subordinates when the matter goes to the elected bosses, who are themselves no better specimens, the heads prefer to keep silent, and office or institution goes to the dogs. The crusaders do not wish to run the risk of being crucified by the "crusaded to-be" long before they make a start. The politicians like octopuses have spread their tentacles into every nook and corner of the public administration and spared not even the administration in the private sector. An employee's wanton defiance has become a proxy for the back of political support to his authorities. Neither want of will nor want of power, which is doubtless there on paper, but fear of disobedience and of being overruled dissuade even the erstwhile strictest head from such a course of action. A law analogous to the Gresham's Law is at work in the administration: Bad men driving away good men. The situation has been worsened by the overwhelming part played by casteism, communalism and regionalism. We have caste factions or alignments as

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well. Through the ages particular castes have come to imbibe specific traits, which distinguish their members and which they have difficulty in shedding. The influence of caste on the choice of occupation or its association with income differentials has weakened in the wake of economic progress achieved but it has grown stronger in the decision-making process in most places, and at present it is the greatest menace confronting us.

Individually people do not want chaos or tension or turmoil for its own sake, for it is inimical to growth. They had a long tradition of local self-government, which deeply inculcated in them a municipal or corporate feeling. Later, they were ruled by fiat and edict. A combination of authority and administrative skill can keep them contented. Our prime need is a coherent social and economic programme. The Government has to show greater despatch and abandon its softness and bestir itself into action more effectively and purposefully.

It is necessary that political leadership only lays down policy and gives direction to the bureaucracy. Any policy measure should have some stability and not change frequently and abruptly so that the private counterpart of the mixed economy is not made to suffer from an atmosphere of indecision. After a well-defined period of trial its success or failure should be established.

The bureaucracy must operate with the professional ethics of non-involvement in politics and complete rejection of material rewards other than those provided by law. It should avoid obstructiveness and deleteriousness and not indulge in meaningless rituals. The unlettered citizen should not be harassed and exploited on the pretext of rules and procedure. The public servant should not think that he is the sole repository of intellect and integrity. He should not try, either, to leap frog into superseding his law-abiding seniors by ingratiating himself with the greedy politicians wrongfully. The bottlenecks in the flow of work ought to be identified and eradicated. The original, archaic rules and regulations, which have over-grown on account of amendments after amendments, and hence contracted inconsistencies in particular respects should be recast. In the second year of her return to power Mrs Indira Gandhi, India's Prime Minister, formulated the rights and duties of the bureaucracy in the following poignant way: "The bureaucrats are not to have a commitment to a person or a party but to national objectives and accepted programmes of the Government. The senior officials should express their opinion fearlessly on all important subjects and play the leadership role in administration. However, when a political decision was taken, they, as civil servants, had to carry it out. They should appreciate that rules are made to solve problems. If they come in the way of solving problems, obviously they have to be amended, for rules cannot be allowed to become "a strait-jacket" to prevent growth. The Government would not punish the officials

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for their *bona fide* mistakes but their non-performance would be taken note of seriously. Their good performance would be rewarded."

Those employed in public institutions have to be taught the philosophy of hard work. This country cannot speed up its progress unless they put in dexterous, well-disciplined and patient labour. They must take pride in their work and show loyalty to the institution, and a spirit to carry out one's duty sincerely and diligently. But their authorities must appreciate good and keen work and suitably reward it. They must rise above pettishness, narrowness, frivolity and triviality. Discipline among rank and file presumes a rigorous code of good behaviour, equity, fair play, firmness and exemplary character at the top and through the management hierarchy. Authority and accountability should be inter-woven at every level.

An atmosphere of work and discipline needs to be ensured everywhere. There can be no faster development without increased effort, dedication and application. Work is "the prerogative of intelligence" and "the prime instrument for national advancement". As Pigou put it, national income turns partly on those causes which lie in "the nature of the people concerned" and partly on those causes which lie in "their surroundings". Moral qualities of the commercial sort, viz., honesty, conscientiousness and initiative also increase national income. Mental attitudes count too. "If a country prefers to work hard, play hard and be constantly occupied, it will create more material wealth". Mention of attitudes puts us forthwith in memory of Mahatma Gandhi. According to him, the fundamental task before Independent India was to change the people's attitudes, which would call for a protracted struggle proceeding with "the motion of successive waves battering a rock".

Personal interests must yield to the larger interests of the country. A socialist society is built up on "ideas of services to society and the willingness on the part of the people to recognise such service." Quite a number of people are corrupt for the sake of their family—to educate their children, to arrange for the dowry of their daughters, to provide medical care to their ailing relations, and the like. Many politicians are corrupt because of the insecurity of their political career—they have not got alternatives except being in politics. If they are out of politics, they are out of everything, including the source of livelihood. Some are corrupt because of the demonstration effect—to acquire expensive assets like their neighbours or their immediate bosses. Others have no house of their own to live in, particularly after retirement. By meeting these basic needs of the people free or at rates within their reach the state can reduce corruption to an appreciable extent. Above all, our political leaders and representatives must give up riotous living at the expense of the public exchequer and through corrupt

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means. They should themselves practise the 'simple living and high thinking' they preach to the masses from the pulpit. Corruption in this country begins at the top. Coalitions of over-ambitious bureaucrats and corrupt politicians are formed. These operate with utter irresponsibility and arbitrariness.

The efficiency of operation in all sectors must improve. Close co-ordination has to be arranged in the related economic fields so as to reap maximum returns. The programmes of development in industry, power, transport, technical education and research must be conceived as "parts of a grand design". The proposal of the authors of the Sixth Plan for a carefully designed concurrent performance audit system through personnel in key positions for the speedy implementation of projects is sound and well thought out. The system of information flows (that is, flows of processed data) must be improved. There is need for marriage between 'planning from above' which is largely in vogue now and 'planning from below' which has been espoused by many critics of our planning technique. This would accommodate non-formal staffing patterns involving the mobilisation of suitable members of the local community wherever possible, as visualised by the framers of the Sixth Plan, and yield the benefits of the cleansing process of grass-roots decisions. This might also take the suspicion out of the minds of the rural people who think that they are deliberately isolated. To quote Anjaria, our Plans should aim at "the building up of confidence and the devising of economic policies that will (a) capitalise on the development impulses within the economy where they are strong and (b) strengthen them where for various reasons they have somewhat weakened". People must have hope, for "if there is no hope, dissatisfaction leads to despair, which will be the end of all progresses", as Mrs Indira Gandhi surmised sagaciously in September, 1981. "All sections should be assured that there will be no discrimination. No society can prosper if merit is not given its due"—this is what she writes in her *foreword* to the Sixth Plan. If any meritorious person has a grievance that he has been discriminated against, then he must be heard and justice meted out to him within the shortest possible time by the authorities concerned, and *justice* should not be a thing to be found only in the dictionary.

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PART TWO

REGIONAL DIMENSION

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Problem of Developing the Backward Areas

Concept of Region or Area

The concept of 'region' or 'area' as a means of furthering economic growth and guaranteeing the sharing-out of the fruits of material and social progress among the people living in all parts of a country is increasingly becoming relevant in modern society. Areas classed as 'backward' are treated in four alternative ways : (1) As particular areas or districts or groups of districts, having bordered topological space and facing particular locational problems (such as grim poverty or unemployment, congestion, low income, etc.), (2) As whole areas each having a plan, (3) As independent areas and (4) As inseparable parts of the nation, the national plan being broken down into regional plans. A programming or policy oriented definition of area is concerned mainly with administrative coherence or identity between the areas being studied and the available political institutions for implementing the policy decisions. A programme or policy area is essentially homogeneous in being entirely under the jurisdiction of one or a few specific government or administrative agencies.

Characteristics of Backward Areas

The backward areas in the Western Region have been marked by some of the following characteristics :

Low density of population, a high rate of population (and labour force) growth, a low participation rate, massive emigration of population because of the lack of employment opportunities, a rate of unemployment higher than the national rate, a slower rate of economic growth resulting in a per capita income lower than the national average, monolithic occupational distribution of population, predominance of small farms, decline or slow growth of the old and non-viable industries and trades consequent upon the depletion of natural resources or intensification of competition from outside, a

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lower average productivity in all economic activities due to a lower command of the volume of economic goods (e.g., economic infrastructure, social services, capital, credit facility, know-how, economic information, etc.), a lower level of welfare enjoyed by the resident population, economic dualism in certain cases (revealed in a developed but limited core area composed of a few industries, which have practically remained as enclaves without generating their spread effects, co-existing with an extensive undeveloped periphery having few secondary activities, almost impoverished by its backwash effects on account of the exodus of productive resources).

Factors Responsible for Backwardness of Areas

The factors that assist or obstruct economic development and accelerate or retard its pace are always the same, whether they relate to a single area or to the whole country or to a group of countries comprising a continent. Besides, the process of economic development is uneven in time as well as space.

Regional differences in the growth of income are explained by one section of economists in terms of regional differences in the growth of capital stock, labour force and its average efficiency, by another section in terms of the endogeneous features of the development process (e.g., the backwash effect), by a third section in terms of an accidental difference in the initial levels of income before the onset of modern industrialization, and by a fourth section in terms of a combination of the latter two conditions.

Myrdal's explanation is as follows : In the absence of state intervention the market forces tend to increase rather than to decrease the income disparities in the income-levels between areas. Almost all economic activities which tend to yield a return higher than the average in a developing country cluster in certain prosperous areas, leaving the rest of the economy more or less in a backwater. At times, these prosperous areas drain away resources from the backward areas by offering them higher returns. In many cases they did so early in their competitive advance. The backward areas could not be dovetailed effectively into the focal points of new growth, which are usually the metropolitan areas subsisting heavily on the gains of urbanisation and the economies of scale (ensuing from optimum-sized plants and a large regional and inter-regional market). But within broad limits the power of attraction of a contemporary centre had its origin chiefly in the historical accident that something was once started there and not at a number of other places where it could equally well or even better have been started, and the start was crowned with success. Thereafter, the ever-growing internal and external economies fortified and sustained their continuous growth at the expense of other localities and areas where relative stagnation or repression became the common pattern. "The frequently observed negative correlation between degrees of economic development and

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inequality is explicable largely by the process of cumulative causation and the general weakness of spread effects relative to back wash effects in underdeveloped countries." In the words of Hirschman, in a free enterprise economy the polarization effects (Myrdal's backwash effects) of progress in the advanced areas gain the upper hand over its trickling-down effects (Myrdal's spread effects) and fail to pull the adjoining backward areas out of the rut.

In an underdeveloped country the regional disparities loom large because the pace of progress in it has been very slow. Whatever industrialization has already taken place in such a country is at a low level and is very unevenly distributed geographically. There are areas where industry is practically absent. On the other hand, the industrial development of some of the places has brought about further pauperization of the adjoining areas by draining out of them their natural resources, manpower and capital and by reducing them to the role of a tributary or colony. In India Maharashtra is industrially advanced because of Bombay; and West Bengal because of Calcutta and its hinterland or catchment area comprising Asansole, Durgapur, Darjeeling and Jalpaiguri. According to the Industrial Licensing Policy Inquiry Committee, out of the total licences issued during 1956-60 for Maharashtra about 51 per cent went to its three districts (viz., Bombay Sub-division, Thana and Poona). In West Bengal 71 per cent of them went to Calcutta, Howrah and Hooghly. In Madras 59 per cent of them went to Madras and Coimbatore. The licensing policy was not effective, except in a very limited way, for the attainment of the objective of regional dispersal.

The development projects implemented in India have been confined mostly (to a few large) towns and cities. This has widened the gulf between the small industrial centres and the rural areas. Each small town with its present low outfit of infrastructure has to cater to nearly 300 villages scattered over hundreds of square kilometres. The weakness of the small or medium-sized towns explains why development has not seeped down to the villages in their environment.

After classifying the districts in India into four levels of development Ashok Mitra discovered that development in the country had been clustered around a few nuclei; there had been no visible signs of the spread effect around them; the benefits of development had not been equitably distributed over each State or region; and in certain States the entire population had been classified as backward (backwardness having been characterized by "a syndrome of collective poverty"), while in others (e.g., Punjab) over 78 per cent of the population resided in those districts in which the level of development had been high. Urbanization and industrialization (their correlation being associative rather than causative) primarily determined the level of development. Over 80 per cent of the urban population resided in those districts which had the two highest levels of development. Differences in agricultural productivity formed the largest single factor responsible for the differences in the economic levels of most of the States in India.

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Goals of Regional Planning

Regional planning is a means to counteract the centripetal forces inherent in economic development tending to widen the disparities between different parts of a country. It is intended to reduce the functional friction between a highly developed centre and its relatively underdeveloped dependent territory by bringing order to all activities which are responsible for creating a developmental dualism. It aims at the reduction in the differences in the rates of development and hence in per capita incomes or in the rates of unemployment between different areas of an economy by improving the economic foundations of the backward areas and meeting their needs within the framework not only of their resources and potentials, but also of national needs, resources and potentials.

Under the welfare approach popular before the early 1960's regional planning in the Western region meted out preferential treatment to the backward areas facing special problems such as distress connected with poverty and unemployment, by means of social services and progressive taxation and by helping them to reorganize their industry. Under the growth approach becoming popular after the early 1960's the prime driving force behind regional planning has been the larger potential contribution which the backward areas might make to the economic growth of a nation, provided "appropriate forms of pump-priming" could be devised, and effort could be concentrated on building up centres of growth in the qualifying backward areas capable of self-sustaining growth later. Whereas the former approach was need-oriented, the latter one is potentiality-oriented and is a sequel to the realization of the principle that "a region cannot be thought of as an entity to be developed by itself and independently of the country as a whole; on the contrary, a region must be developed within the context and for the greater progress of the national economy."

'Balanced regional development' in the West has meant attaining equal levels of welfare (by removing pockets of poverty and unemployment), equalizing per capita income or achieving parity in the rates of growth measured in terms of per capita income in all regions or areas. It has also meant either distributing economic activities evenly throughout all regions or areas or diminishing concentration in large cities.

STRATEGY OF CONCENTRATED DECENTRALIZATION : PROMOTION OF BACKWARD AREAS POSSESSING POTENTIALITY FOR GROWTH

Assuming, as Lefeberdoes, that "for any levels of effort efficient resource-use will increase investment potential in the short run because more projects can be realized with the same amount of resources; increase savings in the intermediate run because returns on

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investments will be larger; accelerate the rate of growth and employment in the long run because of the above beneficial effects", we can argue with him that in order to accelerate the future development of the backward areas the growth of the advanced areas must be stimulated. Greater concentration of resources in certain backward but potential areas would work out to the long-run advantage of the other backward areas as well, which at present lack potentiality for growth.

The advanced areas are in general better endowed with natural resources than the backward areas devoid of potentiality for growth. In some of the former there has been "a powerful motivation to agglomerate industrial investment" because of external economies arising out of the sharing of the same social overhead facilities, service industries, skilled labour pools and expert management. With their existing advantages the advanced areas grow at a faster rate than the backward areas, having or not having potentiality for growth, and yield surpluses for future investment. Part of these surpluses can be channelled towards the development of the backward areas by creating new growing points in them.

Hirschman argues that an economy, to lift itself to higher income-levels, must first develop within itself a few regional centres of economic strength, that is, growth poles or points, not confined to one place, but instead dispersed over the economy at certain carefully chosen places. This strategy is much more appropriate to a large developing country where the regional problems have to be tackled on a wide scale covering a large percentage of population and, therefore, the total resources to be diverted to meet these problems constitute a large claim on the total national resources, which are not unlimited. In such a country the tax base is very narrow, collection costs are very high and the public exchequer is always starved of funds such that the utility to society of one unit of money spent by the public authority is greater than that of one unit of money spent by the private individuals. That is to say, economic activity has to be distributed on "some balanced social and economic scale". In case "concentration during the short term and dispersal in the long term" is not acceptable to the regional planners as their guiding principle owing to the difficulty of assigning weights, then "concentrated decentralization" i.e., coherence of polarisation and dispersal would appear to be the only alternative. Maximising growth for every area, however defined, will not necessarily maximize growth for the entire nation. Regionalization might "balkanize" a country. The goals for areas taken together severally may be at odds with the development goal for the nation considered as a whole. If pushed too far, the otherwise desirable objective of lowering income inequality among areas might prove self-defeating.

The strategy of "concentrated decentralization", advocated by Rodwin, admits of the need for bringing areas other than the

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principal national centres within the mainstream of the development process and locating new core areas (co-ordinated with growth poles) in the periphery. This strategy is designed to be consistent with the long-term regional development process. The gradual attrition of the periphery appears as a policy criterion for regional development. Use is made of the notion of 'imbalance' in this strategy, which supports a certain concentration of resources in the activation of the core areas, which would make it possible to exploit potential complementarities in investment, thereby generating the urbanization economies that serve as a prop to private investment as well as capitalizing on the symbolic value of a dramatic development effort having internal dynamics of its own. Concentrated decentralization would imply a commitment in the selected areas to the "Big Push" theory of economic growth.

The merit of this formulation lies in the incorporation of a variety of criteria which conflict with one another outside the spatial frame of reference. In so far as it favours concentration, it favours imbalance in development by invoking the principle of decentralization. It sides with the theorists of 'balance' by favouring the idea of development programming for the new core areas through the simultaneous creation, as a matter of public policy, of the technical and economic linkages which are essential to the process of growth. It is asserted that planned complementarities can be brought into existence only simultaneously or in a pre-determined sequence.

In the U.K. it was found that the new industrial acitvity could not be promoted and sustained simply by creating conditions of employment in towns and in areas where unemployment existed. In South Italy too much pre-occupation with the problem of unemployment in particular areas ended in "excessive dispersal of investment and the achievement of only uncertain results". As a sort of reaction, the acceptance of the growth point strategy involved a diminished emphasis on unemployment because growth points could not be located in the pockets of highest unemployment. Accordingly, regional policy drifted away from "the crude prescription of measures for isolated pockets of high unemployment".

RELIEF OPERATIONS FOR BACKWARD AREAS BEREFT OF POTENTIALITY FOR GROWTH

It does not follow, however, from what has been contended above that the backward areas should be neglected till investment begins to flow into them from the advanced ones. For one thing, a somewhat greater national effort than the current one would provide resources for their advancement. For another, society has to decide the degree to which the benefits from the realized progress should be utilized to bring immediate relief or succour to them. Recourse to arbitrary location of industrial investment or to low-yield type rural

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programmes during the short run would be more in the nature of a transfer payment to improve income distribution than as a contribution to economic development. This being so, the adverse effects of such public investments on savings and growth must be minimized as far as possible. During the long run such projects and works should be undertaken as would step up the industrial and agricultural capacity of these areas and thereby yield high returns immediately, which should be used for maintaining future investment and growth. A suitable rationalisation of the current pricing (relating specially to the agricultural products) and transportation (for example, railway rates and freights) policies would go a long way in obviating the initial handicaps of these areas and balancing the economic cost of limiting expansion of industry in the advanced areas having unused capacity and that of subsidizing it in these areas.

Although some investment in public utilities may be indispensable, the essential task will be to endow the backward areas with "some ongoing and actively inducing economic activity of its own, in industry, agriculture or services". Backward areas possessing untapped or inadequately tapped natural resources can qualify for this endowment even when they are short of capital because natural resources, to some extent, can substitute for capital. As Colin Clark notes, countries with abundant natural resources, on the whole, have lower capital-output ratios than countries not so gifted.

If there are such backward areas as come out poorly in regard to almost all conceivable activities, then they would be entitled merely to relief or a dole throughout; otherwise, the existing geographical distribution of resources and markets in any country must provide scope for dispersal of activities in varying degrees. Besides, the advance of modern technology, (especially, electric power and truck transportation) has greatly reduced the advantages of locating manufacturing activities at the sites of natural resources.

To the extent that this is carried out effectively without prejudicing the viability or competitiveness of that economic activity and without excessively canalising a large investment into social overhead facilities, it might be considered a sound way of executing a nation-wide industrialization programme.

Provision of "Sovereignty Equivalents"

Hirschman has suggested that a country attempting to develop its own backward areas should provide certain "equivalents of sovereignty" for these areas. The most important of such equivalents will be "a reaction against the feelings of dependency and self-denigration" so often encountered in these areas and "the mobilization of its energies through regional institutions and programmes". Establishment of development corporations, financial institutions

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and banks, tax rebates (equivalent to tariff protection) to the local industries, some autonomy in bank credit policy, preferential exchange rates, compensating sur-taxes to imports, etc., are the various instruments by means of which economic policy can shore up the backward areas. It would not be out of place to add here that (a) a region in a nation is more sensitive to the external market forces with respect to the factors of production as well as goods and services. (b) fine differences in the spatial-temporal factors play a much greater role in a region, (c) leakages can actually be lost to a region much more readily than to the nation of which it is a part, (d) the feed-back impacts, both favourable and unfavourable, from trade with the outside world, are much greater in a region, and (e) a region faces the political and resource-allocation problems of a nature quite different from the nation because it competes with other regions within the same nation. For instance, income in a region is determined perhaps more by what goes on outside its borders than by what goes on inside them. The Government spending in a region may be determined largely by foreign bodies, sometimes even hostile to the region.

Pre-Industrialization Measures

Among measures calculated to revamp the potential backward areas topmost priority will attach to the "pre-industrialization programmes". Specific investment in these areas will generally have to precede an upturn in their economic life so that they are progressively reintegrated with the national economy. Public expenditures will need to be so allocated that they augment their productive capacity and make them attractive for the private investors.

The state should first establish the base and make the potential backward area economically viable, and later summon the participation of private capital in the area to carry the task ahead till its balanced development is an accomplished fact. This would call for pre-industrialisation public investment on a massive scale in that area.

In Hungary funds are allocated to provide for infrastructure investment differentiated in such a manner as to take into account the development requirements necessitated by major investment projects as well as those necessary to enable the backward areas to catch up with the advanced.

The absence of socio-economic overhead capital in an area possessing the potentiality for growth renders private capital shy of investment in industry in that area even when the prices of labour and land are low there. The geographical remoteness or isolation of the backward areas in general from the advanced ones and from the hub of political and administrative life of the nation should be

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ended by developing such capital (with due emphasis on communications) in its different forms. Socio-economic overhead capital has, therefore, to be provided by the state in a potential backward area both as a direct instrument of economic development and as a pre-requisite for increased participation by private capital in its induced (though not spontaneous) development. Investments in such capital, though not intrinscially attractive to private persons, hold out the promise of large social gains. Another reason why these overheads have to be provided by the state is that they cannot be encompassed within the boundaries of any one area because they cannot conform to the principle of regional balance and have to be run by public undertakings. Examples are investments in the formation of human capital (such as schools, colleges, hospitals, research institutes, and training centres), in the development of transport and communication facilities (which all enable the backward areas to become intimate parts of the inter-regional development axis), in conservation projects, and so on.

Basic and key industries, such as steel and petrochemicals, which constitute a propulsive basis for all other industries, must be fostered by the state for accelerating the tempo of economic development in the potential backward areas. In Italy the Vanoni Scheme had laid down that the state should take on direct entrepreneurial responsibility in all those cases of the industrial sphere where private enterprises had proved unequal to the task of overcoming territorial imbalances.

The pre-industrialization programmes embarked upon by the state will aim at providing the proper framework of socio-economic overhead capital in the potential backward areas in the fond hope that, once such a framework is created, private investment in directly productive (industrial or otherwise) activities will follow spontaneously and increased effective demand will create an additional market in those areas. In other words, the economic rationale of socio-economic overhead capital consists in the latent hope that additional investment opportunities will be taken up by private investment. Here the main emphasis lies on the indirect or secondary or catalytic effects. As we all know, the development process relies on both the multiplier mechanism and the acceleration principle. On the one hand, additional investment in social overhead capital increases income and effective demand *via* the multiplier mechanism. On the other increased effective demand feeds back and induces additional spontaneous directly productive investment *via* the acceleration principle.

But the indirect, secondary or catalytic effects are uncertain. "Induced investment may or may not take place; it is called spontaneous but it is by no means automatic". Provision of infrastructure is "permissive" and may not always produce the hoped-for ignition of entrepreneurial activity. To make these indirect effects certain "post-natal control" measures of a short-term character have to be

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adopted by the state. Programmes of investment in infrastructure (economic and social) wil not raise productivity immediately nor absorb labour to an impressive extent or on a permanent basis. But in due course they will lower factor costs by raising factor productivity and reducing factor scarcities.

Creation of Growth Centres : Industry-based

The attention of the state should turn next to the creation of industry-based growth centres in the potential backward areas. In order to offset the agglomerative tendencies of private capital movements, the state may initiate an opposite movement of public funds by setting up a few alternative (or parallel or equally attractive) industry-based growth poles or points or centres. This will direct new or under-utilized resources into the development process. The basis of this approach will be the counter-magnet theory, according to which, "the structural disequilibrium of a space economy in transition may be attenuated by the activation of new core regions on the periphery". The growth pole-cum-decentralization policies appear to have achieved the status of the latest planning fad. The 'Growth pole' has emerged as a tool of economic and even social transformation at the regional (or sub-regional) level. It is a diffusion mechanism and is capable of producing far-reaching feed-back effects.

The establishment of industry-based growth centres in the potential backward areas will automatically lead to the growth of the tertiary sector. The growth poles will perform a gravitational function. Their establishment would also promote small-scale, ancillary and derived industries based on the products of large and heavy industries by curtailing the risk of capital loss. They can be "a most effective instrument for a natural policy of industrial location, avoiding both over-crowding of certain areas which might cause increasing costs and an undue dispersion which would very soon, because of non-optimum location, reduce the volume of industrial investment in the area". They will reap full economies of scale and important spatial juxtaposition and agglomeration economies.

"A growth point is a sub-regional phenomenon". Economic activities tend to agglomerate around a certain focal point. The polarization flows (of commodities, factors and socio-economic overheads) gravitate within a sub-region towards the control centre (or dominant pole or point) but because the costs of moving through space tend to fall, their density might lessen as time passes.

If a growth point connotes, among other things, a new industrial zone or complex or ensemble, then this zone or complex or ensemble will be heavily concentrated in or around the growth point itself. This complex will form the zone or radius of influence and supply the industries in the growth point raw materials and labour and transform social attitudes via the expectation and behaviour patterns of the

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resident population. To be effective and efficient the growth point must be of a critical minimum size. It may be likened to a catchment area. The growth point, in its turn, will supply to the population of the complex manufactured goods and services.

Growth points are more observable in an industrial society chiefly because agglomeration economies are greater in industry than in other forms of economic activity.

In so far as certain backward areas have greater dynamic potentials than others, the locational factors in them will be reasonably promising. The state must, therefore determine where the centres of potential growth should be set up, what the nature and sequence of public investments within those growth centres should be, and how the available funds will be allocated to them. The backward areas will have to be ranked with respect to their growth potential. Also it must be recognised that for each type of industrial development there is a specific type of public investment which is appropriate to it.

To become a growth point capable of producing maximum developmental impact on the potential backward area a large industry must fulfil the following conditions all at once :

1. (a) Most of the investment in it must be undertaken by using local resources. Sub-contractors and technical staff should be available locally. The industry must represent an integrated activity.

(b) All stages of production from processing of raw-materials to transportation of finished goods must be carried out near the source of raw materials.

(c) The crux of planning decision lies in selecting those groups of inter-dependent projects which are mutually reinforcing. Joint creation of activities linked by certain technical and production interrelationships would increase their potential for joint polarization. The money expended on production must be received by the local manpower and disbursed by it on purchase of goods and services produced locally. The absorptive capacity of the local market must be adequate. This is essential because the impact of an increased demand for locally produced goods is quite different from the impact of an increased demand for imported goods.

2. (a) The earlier and the later stages of production, which a particular industry involves, and which stand in complementary relationships to one another, must produce the linkage effects. For a widespread impact a polarized activity must have foci or channels to transmit its innovative characteristics or impulses to its hinterland. There should also be a close and strong linkage between agriculture and industry and between an industry and the needs of the area in which it is located. Without these, the polarized activity will have an extremely limited effect.

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(b) The regional multiplier mechanism should be able to work out its full effect. It is inversely related to leaks like savings, payment of taxes and purchase of goods produced in other areas.

(c) The newly established industry, which is modern, must impinge on the old, traditional activities and convert them to modernity. The growth-generating activity and the local environment should interact in as much as structural changes would not follow automatically from the setting up of growth poles, if a dynamic institutional and economic frame is missing.

3. The magnitude of the economic lag between the more developed areas and the potential backward area, where a large industry is installed, must not be very high, if it is to produce its full developmental impact.

Were there conditions not to be fulfilled, the large industry would constitute a growth focus but not a growth point. In that case the impetus to growth produced by a multiplicity of small manufacturing industries will far outrun that produced by the large industry.

Moreover, the state must choose the activities which, when developed in one area rather than in another, will bring about maximum regional development. It must, in addition, choose the agglomeration in which the chosen activities should be encouraged in order to minimise private and social costs and create an optimum combination (polarization) for the area concerned. More often than not, this choice would fall on areas of favourable resource endowments. Different types of area suggest not only different objectives but different strategies of development and different mixes of the dominant elements. It will be in the long-run interest of an area to develop the right type of activities instead of trying "to pirate industries for the sake of pirating them" since the latter course may lead to the misdirection of its resources away from their ideal or optimum uses and thus prevent it from realizing its full economic potential.

For the present purpose industries can be divided into two categories. In one category we have *tough* industries. In the other we have *smooth* industries. The tough industries include heavy industries, energy and communications, construction and urban development, heavy electricals, etc. The smooth industries include agriculture, mining, forestry, food processing, etc. The tough industries are rapid-growth industries. The smooth industries are slow-growth industries. Mining and forestry are such economic activities as reach the saturation point as regards their capacity to absorb manpower in the course of years and become depressed. Areas specializing in slow-growth industries show net downward proportionality shifts in total employment. By contrast, areas specializing in rapid growth industries show net upward proportionality shifts in total employment.

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Metal and chemical industries are highly dynamic and their multiplier effects are far-reaching.

Industries which give rise to substantial intra-regional factor receipts and the products of which exhibit high-income elasticities of demand may deserve preferential treatment on the ground that they increase effective demand as well as employ under-utilized resources.

Progressive industrialization can be resorted to, as was done in Hungary. In that country, to begin with, rather simple types of industry were located in the backward areas and development was planned gradually on this basis. Reliance for the more exigent branches of production was placed on the existing supplies of technology and skilled labour. This kind of progressive industrialization and the establishment of up-to-date large-scale industrial plants became two adjuncts of the industrialization policy in respect of the backward areas. But they were not mutually exclusive; instead they were complementary to each other.

Natal Control Measures

When the growth of small and medium-scale enterprises is not sponsored by and does not accompany the establishment of the few large industrial establishments, the latter will then remain like islands in the sea without any economic diffusion and radiation effect in the area concerned and may not induce additional industrial growth. Important developments in the industrialization of a potential backward area must depend pre-eminently on a wide variety of medium-scale and small-scale enterprises, which can be set up by private producers themselves.

In several developed countries many successful industrial ventures in their new growth centres are either subsidiaries or branch establishments of large enterprises, in their already industrialized areas. The large enterprises, whether in the private or the public sector, place sub-contracts and orders for small spare parts or intermediate products with the small-scale and medium-scale firms located in and around the new growth centres and thereby induce further investment in these firms by creating a market for their products. This "post-natal control" measure would ensure that the indirect or secondary or catalytic effects of the free industrialization programmes are realized in practice.

Creation of Growth Centres : Agro-based

Alongside of creating and developing industry-based growth centres the state can undertake to build up agro-based growth centres too in those backward areas which, though predominantly agricultural, have sufficient potentiality for growth.

The rural areas of today furnish an example of regional proletarianism and the peasants are the real proletariat of today. With a view

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to ameliorating their economic lot the basic facilities of collective life have got to be provided in the rural areas. One reason for regional disparities in an underdeveloped country (like India) is the absence of close relationship between an industrial centre and its surrounding rural area. Industry and agriculture exist as two almost unrelated activities. Agriculture, being disorganized and backward, does not create a market for industry and does not foster those direct exchanges at the local level that are one of the basic pre-requisites of industrial development anywhere. Industrialization will come only when a profound agricultural transformation finally facilitates industrial development by creating better and richer bases for the economic life of the area to be developed by creating a market and by sponsoring new technical processes (as happened in South Italy). In other words, there is an urgent need "to walk on two legs" by developing both agriculture and industry simultaneously.

Agriculture too can be made to act as a propulsive industry, if appropriate measures are adopted for its development. Structural improvements can be effected in it by land reforms, by removing the deficiency of soil and shortage of water and irrigation facilities, and so on. "Propulsive industries employing the largest labour force but those industries having the greatest direct or indirect influence on the welfare and activity of the region. It is through them that regional development and planning can most efficiently be promoted". By locating processing (transforming) industries in the rural areas agriculture can be valorized. The need of the present hour is an agricultural base with an industrial super-structure. In the central areas of Sweden agriculture combined with a number of subsidiary industries has been able to provide livelihood to a much larger number of people than agriculture alone as the only means of subsistence could have possibly done. Industrialization leads to urbanization and with the spread of urbanization, agriculture in the vicinity of the urban centres tends to become more efficient and farm incomes tend to be higher there. This is ascribable to the operation of labour, capital and product markets under heavy spatial constraints. The conscious fostering of rural-urban interaction will act as a fillip to agricultural growth.

The agro-based growth centres can be used to trigger a radical process of agrarian transformations and can conceivably become the nuclei for different types of agro-urban communities. In fact, the success of the industry-based growth centres will turn ultimately on how well they are interwoven with a number of agro-based growth centres. In Italy agro-urban integration could not be achieved in any appreciable manner because the Vanoni Scheme paid too little attention to agricultural marketing and to the development of the local processing industry. The few large industries which were established could absorb but a small volume of labour. The regional planners subsequently admitted that the establishment instead of a

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greater number of small industries designed to serve the local markets and their promotion by developing power supply could have generated a larger volume of employment.

Other Government Measures

The adoption of the pre-industrialization and post-natal control measures and the establishment of growth centres (of both types, viz, industry-based and agro-based) might not suffice in certain situations and hence, would need to be supplemented by government assistance—monetary, fiscal and direct. Let us substantiate this with reference to the experiences of some Western countries in this field.

In Great Britain the government assistance provided to a firm located within the 'development districts' depends roughly on the number of new jobs it expects to be able to offer. But it is often difficult for firms to find the right type of labour in such districts. The areas laid up with unemployment very often are the areas which lack facilities for the training of labour. The U.K. Government's decision to introduce in September, 1967 the controversial regional employment premium amounting to 7½ per cent of the labour costs for a period of 7 years, for the first time in the history of British regional policy, gave such firms a subsidy on current costs. This was intended to help them to offset the additional operating costs incurred during the settling-in period. This proved to be a greater attraction for the labour-intensive units. In France the areas where unemployment is permanently high are called "critical zones". Loans and equipment subsidies are given to such firms as move into these areas. Even in these zones there are certain areas which are faced with declining or depressed industries, owing chiefly to foreign competition. It is these areas, which are selected for a preferential treatment, i.e., subsidies at higher rates. But government aid tends to be concentrated in selected growth areas. In other areas suffering emporarily from unemployment "rescue operations" are launched. The decentralizing firms are also granted reductions in the transfer tax on the acquisition of land or buildings and in local taxes for a period upto 5 years. They are, in addition, granted long-term loans. But a number of firms, which get decentralized to the critical zones, are small in size and are not likely to create large multiplier effects. "Part of the explanation of this, of course, is the vacillation in policy between the growth zone strategy and *saupondrage* of aid over wide areas".

Long-term credit is provided to the large-scale units and medium-term and short-term credit is provided to the medium-scale and small-scale units for investment in the underdeveloped areas by the specialised financial institutions for which funds are raised by the state. In Yugoslavia separate investment credit allocations are made by the Investment Bank for the underdeveloped areas. In France semi-public companies undertake major regional improvements

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by operating in consonance with the provisions of company law, though under state control.

Tax-generated savings are placed at the disposal of private entrepreneurs through the private banking system, e.g., by retiring bank-held debts. Bank credit is granted on terms differentiated according to the government preferences in respect of areas to be developed or restricted, as in Hungary. Low-interest loans are advanced to the units settling in the backward areas, as in West Germany.

Building and investment grants are given to new enterprises when established in the underdeveloped areas as in the U.K. There these enterprises are usually capital-intensive and are likely to become self-sustaining.

Subsidies are given to such enterprises as plan their expansion in the underdeveloped areas with their own funds or by borrowing funds. This is in vogue in Hungary. Businessmen in the Parisian region, who decentralize to the depressed or underdeveloped areas, are awarded decentralization subsidies amounting upto 60 per cent of their removal expenditure. Freight subsidies are granted to units settling in the backward areas in West Germany.

Corporation tax holiday for a certain period of time is announced in order to induce and foster new enterprises in the underdeveloped areas, as in the Atlantic Provinces of Canada. The rate of non-deductible wage tax is reduced, as in Hungary. The state provides facilities to those workers who opt for employment in the backward areas. In West Germany the government has a system of this type in force.

The state may enjoin the private investors to invest a certain percentage of their aggregate annual investment in the underdeveloped areas. Thus, in Italy every enterprise either directly owned by the state or controlled by it must by law invest 40 per cent of its total annual investment in South Italy. Furthermore, the investment programmes of the agencies and firms falling under the supervision of the Committee of Ministers for the Mezzogiorno have to ensure such a territorial distribution of their investment as would bring about a progressively better economic balance between South and North Italy.

Occasionally, the state may feel constrained to adopt some negative or restrictive measures to bring about a regional balance in economic development. Private investment may be discouraged in the congested areas by imposing direct restrictions on it, such as direct control on factor movements by means of industrial licensing supplemented by financial penalties. But this may prove to be a double-pronged weapon; it may not induce transfer of private investment to the under-developed areas; rather it may lead to a further decline in these areas. In addition, they may hide substantial

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real cost in terms of sacrifices of national efficiency. Such was the experience of the authorities in Italy.

In a federal form of government the Centre seeks to reduce regional disparities by locating its industrial projects in the poorer states by spending more on the development of socio-economic overheads in such States, by advancing loans to them on favourable terms for promoting these overheads, by giving them more and special assistance, etc.

Before we leave this section we would like to pinpoint the fact that the final choice of the above-mentioned instruments will hinge on the aims to be attained, the relative efficiency of these instruments and the willingness of the planners to use them effectively. The effects of most of these instruments are widespread, diffuse and, in specific cases, quite uncertain. Unless the incentives are adequate, they may or may not succeed in inducing private enterprise to embark on productive investment. On the contrary, it is equally likely that more and more private persons might take steps to qualify for the special advantages offered by the state. This actually happened in Italy, where the public finances were overburdened, rendering co-ordination of local incentives and regional planning more closely within the general tenets of public planning inevitable.

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8

Regional Planning during the Plan Period

Regional economics is defined as "economics of spatial separation or economics of resource immobility (resources, particularly labour, are not completely mobile between regions)".

For the economist, the concrete definition of a region is tied to an understanding of the role of space in the economic system. There can be no absolute definition of a region. The criteria selected for the demarcation of regional boundaries will vary with the needs of the analyst.

The concept of a region is an analytical tool. It is "a set of criteria to guide the aggregation of economic activities situated at different points in space." In this view, a region is "a broadened topological space." The planning region is a space whose various parts depend on one and the same decision. In addition, it is an instrument in the hands of an authority to attain a given economic goal.

Regional planning is "the meeting place of the social scientist and the physical planner." "Economic planning provides the link between national and regional policies. In regional planning our concern is not only with "the synchronization of the economic and the temporal factors but also with the direction of the planned economic activities to certain areas of national territory."

Regional planning represents the translation into practical terms, according to the circumstances and characteristics prevailing in the particular localities, of the main guiding principles of a national plan since it is agreed that "there must be no conflict or contradiction between the directives of national planning and the local directives." In other words, regional planning is planning within national planning.

The objectives of regional planning are to identify specific industries which can individually or in groups operate efficiently and remuneratively in a region; to improve the well-being of the people

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in a region by raising per capita income and achieving a more equitable distribution of income; to diversify industrial activity in a region so as to reconcile the ups and downs of cyclical fluctuations; and to put to best use the limited, if not the niggardly, endowment of resources in a region.

The national plan cannot fail to analyse the causes of regional disequilibrium in respect of the rates of development. The role of regional plans is to make the fullest possible local use of the factors of production. A regional plan must make sure that there are sufficient public works capable of making the geographical and ecological conditions increasingly attractive for subsequent private investment. But it is at the same time necessary to optimise the contribution that regional progress can make to the progress of the economy as a whole.

The significance of regional policy has been recognised in most countries of the world, advanced or backward. The developing countries have appreciated the fact that "national investment strategies require a sub-aggregation along regional lines". According to an authority, "Regional policy appears as a function of the spatial transformations engendered by economic growth."

Regional policy is "basically a policy for interpreting national development in regional terms" with a view to attaining economic and social equilibrium of a country. Once the development outlines are available for the various regions the economic planners can no longer evade the problem of making a choice.

Regional planning helps in reducing the functional friction between a highly developed centre and its relatively underdeveloped dependent territory by bringing order to all activities which are responsible for creating a developmental dualism.

The interplay and feed-back relations between economic development and spatial evolution are recognised under spatial planning. Boudeville stresses two points for drawing up of regional policies : (1) The notion of nodal or polarized region seems to provide the best economic tool for developing a territory. It is a means simultaneously of delimiting space, analysing its structure and determining its trade. (2) A region cannot be thought of as an entity to be developed by itself and independently of the country as a whole. On the contrary, a region must be developed within the context and for the greater progress of the national economy. This results from the need for coherence in local plans and its procedure for choosing the most effective set of programmes. In realistic terms "regional development must be a matter of deconcentration, and not decentralization."

The objectives of regional policy are commonly set in terms of of achieving a stipulated per capita income or production level. One of its avowed aims is to formulate an action programme to raise a

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region's rate of economic progress to at least parity with the rest of the country. No country can be regarded as having a well-integrated economy as long as glaring disparities persisted between the levels of development and standards of living in different areas within it.

There are three principal difficulties in estimating regional income, viz., (1) The commuter lives in one region but works in another (this is true where modes of transport are well developed). (2) The ownership of corporate businesses is dispersed over several regions. (3) The government activities are difficult to distribute on a regional basis.

It is not always known whether inequalities in inter-regional levels of per capita income (in one and the same country) are generated by endogeneous features of the development process (e.g., backwash effects) or are essentially the result of an accidental difference in the initial levels of income before the onset of modern industrialsation, or whether they stem from a combination of both conditions.

Urbanisation, economies of scale and government policies influence regional development. While increasing urbanisation is compatible with better than average performance of the larger regions, there may be some discrepancies both in the large and in the small group of regions. The economies of scale are, by and large, concentrated in the larger regions. For a number of manufacturing industries the size of the regional market is a significant factor. The Central government can influence regional development through the direct transfer of resources to the regions (a State may be treated as equivalent to a region) and the location of federally owned industries. The already industrialised regions will have a relatively greater advantage in setting up the ancillary industries. A State government in a federal set-up can influence regional development directly through changing the ratio of developmental to non-developmental expenditure and indirectly by affecting the volume and pattern of private investment expenditure through its spending policies.

The factors that assist or obstruct economic development are always more or less the same whether they relate to a single region, to the whole country or to a group of countries comprising a continent. However, a poor region within a nation state is in many ways worse off than a poor nation state in the sense that it is more restricted in the policies that it can follow to correct a falling level of regional income. A region within a country cannot prevent capital funds flowing out across the regional frontier, nor can it impose restriction on inter-regional trade, nor can it follow an independent monetary and fiscal policy. That is to say, regional economies are almost invariably more open than national economies in being more reliant on external trade and restrictions.

The region is more sensitive to the external market forces with

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respect to the factors of production as well as goods and services. Fine differences in spatial-temporal factors play a much greater role in it. Leakages can actually be lost to it more readily. Feed-back impacts, both favourable and unfavourable, from trade with the outside are much greater in it. It faces political and resource-allocation problems of a nature quite different from the nation because it competes with other regions in the same nation. Income in it is determined perhaps more by what goes on outside its borders than what goes on within them. Government spending in it may be determined largely by foreign bodies, at times hostile to it.

The problem confronting a development region is not only how to maintain the parity of living standards with the developed region but also how to prevent the absolute gap in living standards from widening because of differing rates of growth. It has to grow at a much faster pace, which does not appear feasible at all. In general, the rate of growth of per capita income may be expected to decelerate with development because both population growth and income growth are likely to decelerate (the latter with a dent in the scope for absorbing the subsistence sector into the money income sector).

Although development consists of more than a rise in per capita income, yet income disparity is the quintessence of the "development gap" between rich and poor regions.

To the extent that industry and agriculture are location-specific one should expect differences in income-levels between regions of any given country. But one would also expect differing degrees of income inequality within regions, since the preponderance of region-specific types of production implies the generation of income in a region specific manner as well. Geographical limitations and occupational immobility would tend to accentuate whatever tendencies there are for income inequality to develop within some regions.

Successful regional economic planning implies an understanding of the forces of public administration as well as the economics of development planning. Some authors plead for autonomy for the individual regions in their planning programmes on the ground that regions differ one from another and hence require different sets of rules and regulations patterned on their own individual needs.

Regional planning is expected "to cure apoplexy at the centre and anaemia at the edges." An investment in a low-income area that enlarge the productive capacity of a region can contribute substantially on a continuing basis to regional income and employment.

For purposes of empirical policy a distinction has been made between national industries and regional industries. To the first type belong those industries which are located in certain areas but which meet the demands of all areas in a nation, whilst to the second type belong those industries which are located in certain areas and which

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meet the demands of only those areas. The question of regional allocation of industrial investment must be judged not in a partial fremework but in the light of the entire framework of economic development. The allocation of industrial activity among different regions should reflect resource advantage. But some inducements (for example, induced inflows of capital through subsidisation and provision of infrastructure) must be devised to promote industrial activity in the backward areas.

All the same, the approches of the planners and of the politicians are not likely to coincide, as Lewis has shown. The planners have to concentrate on getting the economic facts clear. They have to walk a middle course-resisting, on the one side, those who are so concerned with the obvious disadvantages of the cities that they would make matters worse by concentrating all developmental expenditure on existing towns. The politicians, on the other hand, are "in the line of fire" from their constituents, who are more interested in local matters than in the economy as a whole.

The rate at which a region can develop will turn on its over-all economic development. More economic opportunity should be transferred to the economically handicapped or backward regions. The strains entailed by economic dualism can be ameliorated by initiating special regional development programmes. Balanced regional development and decentralisation of industry have to go hand in glove. If economic development is not to be held back by mass inertia (especially in the rural areas), widely dispersed and decentralised centres of local organisation and leadership are needed. The quality of local leadership depends on the development experience of the region concerned. Economic growth may promote a sort of "economic elan", though the quality of local leadership would depend on the developmental experience of the region concerned. To the extent that its economic growth hinges on successful adaptation to external changes, local leadership must display the qualities expected of it in abundant measure.

Measures have been taken everywhere to arrest the tendency of economic growth to occur primarily in a few urbanised, industrialised regions. The regional problem is no longer viewed simply in terms of the action that must be taken to stimulate economic activity in the poorer regions or to lower the economic and social costs of the rapid expansion in the richer areas. A rational development of regional resources is now considered essential, if the rate of growth of the whole economy is to be maximised. According to a very popular thesis, "In order to accelerate the future development of retarded regions the growth of industrially more advanced areas must be encouraged". Were the latter to be stifled by insufficient investment, the over-all capacity to save of the economy would be delayed even longer. The exponents of this approach enjoin on the State and local governments to realise that greater concentration of resources

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in certain industrial pockets works out to their long-run advantages. This policy produces a satisfactory spread or multiplier effect. New growing points emerge gradually, and the two sets of points, old and new, together impart a proper regional balance. This is so because growth points are like magnets. Nonetheless, simply because investments in the retarded areas give very low yields they won't be neglected, for short-run measures will be taken to accord them immediate relief by creating work based on locally available resources, including man-power.

The question boils down to selecting the right regional growth poles or points having potentialities for expansion with a view to developing them as centres of industrial concentration and self-generating growth. This will pave the way for the economic integration of the regions with the national economy. The central objective should be to achieve an economic structure capable of sustained growth rather than a particular ratio between the growth rates in the different regions (or equalisation of regional per capita income or consumption).

In so far as natural resources are not evenly distributed among the regions of a nation or a State access to the market, internal and external, is essentially unequal, there is considerable variation in topography among region. Inherited know-how and labour skills are unevenly distributed. A policy of pure equalisation will be, of necessity, a poor policy, although a policy towards greater equalisation can be and is likely to be valid. The golden mean between the extremes of pure equalisation and "hand-off" is to be decided by the people and their leaders. To quote Mountjoy, "Channelling aid into growth points within a country or concentrating aid into areas of poverty and distress may express opposite views about how to apply aid most effectively, but both are preferable to the practice to scattering the benefits of aid too thinly over too wide a range of problems and areas."

It has been contended by the protagonists of the selective approach that concentrating on a few right regional centres would help "to spark off a profound transformation in the cultural pattern of the regional hinterland" and enable "the capital cities to cope more effectively and economically with the population avalanche that now threatens them."

Simultaneously with the selection of the growth points, there has to be another selection, namely, of the industries to be established within the points. Inter-linked industries sharing the same overhead facilities should be preferred. Since the initial stimulant or stimulants to development must be of a certain minimum size, the critical minimum effort or the minimum quantum of threshold should be calculated to rescue the laggard regions from their low-level equilibrium trap. An atmosphere of "development effervescence" arises only with a minimum speed or size of investment. Both the growth

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and comparative advantages doctrines emphasise the desirability of stepping up the development of a few leading regions, which will normally be identified or associated with the leading sectors.

Growing points coupled with industrial complexes will institutionalise the process of develoment within a region by imparting a breakthrough or a thrust followed by the needed propulsion, nucleation or ignition.

The economic rationale of social overhead capital consists not only in the directly created increase in income but also in the hope that additional investment opportunities generated will be assimilated by private enterprise. The chief accent, therefore, rests on the indirect effect, i.e., the catalytic action, which may prove to be uncertain. Induced investment may or may not take place : it is called spontaneous but it is by no means automatic. It would be deceptive to rely wholly on the macro-economic mechanism. Some bridges between the macro and micro economic fields will have to be crossed. This will ensure that the transmission belt of the dynamo functions and entrepreneurial activity is ignited. In other words, a policy of incitation or implusion, as distinguished from a policy of accompaniment, must be implemented.

The Five Year Plans of India have aimed at reducing regional disparities as well as removing economic and social disabilities of the different regions in the country. The Plan policy has aimed at catering to the needs of the backward or laggard regions, i.e., the less developed areas, by transferring part of the returns from the investments in the developed areas as also by providing the missing infra-structural facilities in the hope that these would break their isolation and bring them into the mainstream of economic life of the nation.

Concentration of industrial activities in certain pockets of the country has been attributable to the availability of external economies there. This has made it difficult for the state to induce private industrialists to choose a new location in outlandish places. The planners have wished to tap the large potentialities of industrial development in those States which have lacked in employment opportunities and to improve labour mobility there.

The Indian planners have proposed the decentralization of industrial production and the minimising of centrilized and large-scale industrial activities. They have proposed a choice of industries suited for decentralization. They have suggested the location of new capacity on a zonal basis and industrial licensing. They have proposed the promotion of small units employing improved techniques in preference to large ones. Improvements were to be the product of discoveries or inventions. They have proposed the set up thing of industrial development areas in juxtaposition with industrial estates in the less developed areas in the hope that they would act as

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catalysts or spearheads to impart the required thrust to the dispersal of industry. The benefits of economic progress are to reach the handicapped regions through widespread diffusion of industry. Increase in national income and balanced regional development are supposed to be inter-related. Development of the national economy and development of regions are pronounced as parts of a single process.

But the Indian planners have cautioned that regions could realize their full potential for growth only as integral parts of the country. They have not been oblivious of the widely varying conditions of the different parts of the country. These are regarded by them as a veritable hurdle. With this fact in view, the national goals are set out first and the regional policies are stated subsequently.

The planners are aware that balanced regional development is a time-consuming process and can be accepted as a long-term goal. They exclude the export industries since their location has to be decided on technical and economic considerations, such as economies of scale and competitive strength in the international markets. For this reason, even in areas of concentration expansion of the existing industries has been permitted within limits, if larger economies were to ensue from them.

During the first decade of planning (1951-61) in our country, the problem of backward areas was tackled largely through the device of scarcity relief works which could not take account of all backward areas. Besides, for want of a plan or a strategy the effort was often infructuous. Even so, the need to take backwardness into account in locational decisions and the possible role of special programmes for the development of the backward areas was duly recognised.

The Third Plan stated that the long-term plan should supply a general pattern of economic and social development which would take into consideration "the needs and possibilities of different areas and harmonise these into an integrated endeavour for national advancement." Balanced regional development was to emerge eventually from a whole series of connected developments, many of which were of a long-term character. Over the short period, advance towards the goal would seem small and incomplete. This was true for individual regions and equally true for the nation as a whole.

Backward areas have come to be identified on the basis of such measures or indicators as agricultural and industrial productivity, degree of commercialisation, levels of social development, availability of infra-structure, etc., in deference to the 1969 Report of the Pande Committee set up by the Government of India. The estimates of income accruing to a region are taken as "a broad measure of the economic welfare" of the people residing in it.

The Fourth Plan considered the problem of imbalance in

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development as betweens States highly complex. According to it, differences in development between State and State arose out of variations in activity in three sectors—co-operative, private and public. Development of the co-operative sector was related to the strength and coverage of co-operatives in the State. The internal resources of the co-operatives depended on this factor. It was even more important in the co-operatives obtaining financial assistance from the national financial institutions. So far as the private sector in the States was concerned, its activity depended on the extent of entrepreneurship within a State and the resources commanded by it and on the infra-structure and other developments within the State conducive to the development of such activity. Attracting entrepreneurs from outside the State was also dependent mainly on the services and facilities available within the State. To a limited extent this could be stimulated by special concessions. Public sector outlays were provided for programmes of building up the infra-structure or of conservation and development of natural resources and for direct entry of the State in industrial or other productive activity. The first could promote development of activity in all sectors, and the second might partly make up for lack of development in the co-operative and private sectors. Both depended on the extent of financial resources of the State and their proper utilisation by the Government. Availability of resources with the State Governments for planned development was the heart of the matter. This, in turn, depended on the economic strength of the State and the efficiency shown in the management of its affairs, particularly financial. In this connection, the directions in which the Centre could help were : (1) Allocation of the Central assistance, (2) Location of the Central projects, and (3) Adjustments in procedures and policies of the national financial and other institutions.

A scheme of pilot research project in growth centres was launched during the Fourth Plan with a view to evolving a broad research methodology and pattern for identifying emerging growth centres and indicating how the growth potential of these centres could be promoted through comprehensive and scientific study of the over-all development needs, and how those centres could be meaningfully woven into the frame of the district plan and thus help in the process of planning from below. Integrated area development was to be accelerated around potential growth centres.

The Fifth Plan attempted four different approaches to area development, viz., resource/problem-based area programmes, target group programmes, area-specific programmes and comprehensive area development programmes.

An important objective of the Sixth Plan is to bring about a progressive reduction in regional inequalities in the pace of development and in the diffusion of technological benefits. There are vast areas of the country which still remain backward. This is both a challenge

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and an opportunity. These call for diffusion of skills and technology. Their low resource-base needs immediate attention. The adverse natural factors inhibiting their growth have to be countered.

The Central policies with respect to resource transfers will be suitably tailored to the advantage of backward regions and broadly in relation to the effort made by the States in this regard during the Sixth Plan. A start has already been made in recent years in this direction. The IATP formula was introduced in 1979 and the segment for backward States in the Gadgil Formula for allocation of Central assistance for the State Plans was doubled.

III

In the last two decades the backward area development has been characterised by wide-ranging and non-selective incentives for industrialisation, on the one hand and problem-oriented special programmes, on the other. The principal guide in this regard has been the 1969 Report of the Wanchoo Committee set up by the Government of India. The general lesson of the experience so far is that organised industry is not necessarily the sort of growth catalyst that the backward areas need. The fiscal concession provided need to be supplemented by expansion of the basic infra-structure and by removing the other obstacles to investment in the backward areas. Adequate care has to be taken in the choice of industries to be located in these areas so as to ensure that these industries will be able to stand on their feet within a reasonable time without subsidies from the exchequer.

The Centre provides funds for mitigating the problems of the four types of areas mentioned above. It gives a transport subsidy to the industrial units located in areas having an exceptionally high transport disadvantage. The term-lending institutions operate a scheme of concessional finance and re-finance for the industrial projects in the specified backward districts or areas. The State Governments themselves execute several schemes for channelling industrial investments to such districts and areas. A fairly large percentage of the assistance sanctioned by the SFCs SIICs and SIDCs went to the districts designated as backward for the concessional finance schemes.

The Planning Commission regards the State as the "region" for its policy of regional development. In the States, the districts are the pivots of the whole structure of planning. They provide the focal points for employment planning but they are not necessarily indentical with "regions". The advantage of regarding the district as a unit of regional planning is that it has a well-integrated administrative structure for implementing micro-level plans. But district planning suffers from the fault that it leans heavily on the Programmes Approach and is not based on a careful assessment of local problems and physical resources. Although the *Zila Parishad* (district council) is statutorily entrusted with district planning, actual planning is fragmented among numerous agencies, local authorities,

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and government departments that lack financial resources and technical personnel. The district plan betrays "a segmented or compartmentalized approach". Misallocation and misuse of resources are most glaring at the district and local levels.

At one stage a decision had been made that a block would possibly be resonably homogeneous to be taken as the unit of local planning. The idea was to build block-level planning into a framework of district-level planning. District-level planning was to be adjusted to the over-all State Plan. The State Plan was to form part of the national Plan. At present State planning has come to mean "the documentation of the reactions of the State Governments to know the wishes of the Planning Commission". The State Governments seem to have lost "all initiative for independent thinking or action". The State Plans are "nothing more than the sum of sectoral needs as perceived by the departments concerned, lacking inter-sectoral implications and the over-all unity."

Conceptually, area planning implies close identification of activities suitable to a particular area and capable of absorbing local labour surpluses. It also implies a much more intimate involvement of the people whom it is to benefit both in the formulation and in the implementation of the development plan. In its integrated form it implies "planning for a given geographical area in all aspects of development", "the appropriate location of social and economic activities over a physical space for the balanced development of a region". That is, integrated area development suggests a framework for decentralising such activities by locating specific functions in appropriate places, for that may start off a chain reaction of development with far-reaching effects. Thus local planning is an essential means for securing the maximum public participation and voluntary efforts in sectors which bear closely on the welfare of large numbers of people.

As a result of the large spatial imbalances in the distribution of rural and urban populations, agricultural resources and industrialisation, and a host of other factors, there are considerable regional differences in the levels of over-all social and economic development in India. Development is clustered around a few nuclei. There are no visible signs of spread effects around most of them. Also, the benefits of development have not been equitably spread over each State or region. Employment opportunities are still concentrated in the bigger cities.

The urbanization and industrialization processes have played a catalytic role in regional development. In spite of this, the correlation between the two processes has been associative and not causative. Next to them come agricultural transformation and infrastructural development. The provision of adequate transport and other infrastructural facilities is one of the principal factors accounting for the growth of modern urban complexes.

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Construction of new large-scale projects far away from the old towns and centres of industry has generated employment for large numbers of unskilled workers in the rural areas around them and led to the movement of semi-skilled and skilled labour force from distant areas to the new project sites and townships. A certain degree of occupational and geographical mobility has resulted from this.

Attempts to correct regional imbalance in industrial development in the country by massive investments in the Central sector projects in the expectation that they would have a wide-ranging "ripple effect" in inducing small and ancillary industries have not succeeded in the less prosperous States like Bihar, Orissa and Madhya Pradesh. The spread effects of these investments are low and the surrounding areas continue to remain poor and underdeveloped. A dualistic economic structure has appeared in the sense that enclaves of modern industry exist in a backward rural environment. This has posed more problems than it has solved. The benefits have not accrued in the expected measure for want of certain related or complementary programmes and schemes.

A number of the State Governments sought to promote dispersal of industry by such measures as exemption from capital gains tax for industrial units moving out of highly congested metropolitan cities where the marginal cost of providing infrastructural facilities is excessively high, but they could not succeed. Similarly, the scheme for setting up nuclei or mother units in selected backward districts in the hope that they would breed satellite units all round has not forged ahead speedily. In some cases industry has been inappropriately sited. The benefits from the investment subsidy (Central) are concentrated in a few districts or areas. No attempt has been made to discriminate in favour of the types of industries that could have a major impact on the district or area in terms of employment resource development or forward linkages. For instance, the amounts given as subsidy are not related to employment but to capital investment. The developed States have used to a much greater extent the scheme for giving capital subsidy to the backward districts. The benefits of the scheme of concessional finance and refinance operated by the term-lending institutions have accrued to a small proportion of the districts covered.

IV

In conclusion, the private entrepeneurs even now tend to go to those areas where the infrastructure is strong, markets are close and various services are readily available. A study by Gupta has demonstrated that balanced growth is "neither necessary nor sufficient for rapid growth over the medium term" of the Indian States. According to him, balanced growth does not contribute to rapid growth at all. The best performing States are the large States, which might have adopted the unbalanced growth strategy.

Investments in large-scale irrigation, power and transport have regional implications. Detailed agricultural plans would need to

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be drawn by regions and sub-regions, based on the full exploitation of the water resources in the command areas of the irrigation projects and on the principle of water conservation and management in the rain-fed areas. It is necessary to ensure a regional balance in the utilization of the water potential, both surface and sub-surface, available in the various regions. Water for agriculture being the main barrier in chronically drought-affected areas, priority will have to be given to irrigation projects in these areas so that the disruption of the regional economy may be averted. Delay in the settlement of inter-State disputes has caused distortions in the aim of achieving balanced development of irrigation in the country. This has to be avoided.

Certain regions, particularly those in the hilly, tribal and backward areas, have hitherto tended to remain physically and emotionally somewhat outside the pale or the mainstream of progress because of inadequate transport facilities. It would be necessary to pay special attention to these areas through a proper network of transport linkages, chiefly through the construction of rural roads under the Minimum Needs Programme. The argument advanced in support of the proposal for building railway lines in the backward areas is that a railway line has an important catalytic role to play in developing such areas, and without such lines these areas would not develop at all or develop very slowly. However, there are several cases in which railway lines built on this criterion appear to have made little or no contribution to the development of the areas in question, while there are other areas which have developed rapidly without railway lines, based solely on road systems.

The freight equalisation schemes are at present operated in the case of pig iron, steel, cement, fertilisers and foodgrains. The idea underlying these schemes is that the consumers receive these commodities at uniform prices throughout the country irrespective of their locations. While the case for a nationally uniform price for essential commodities like foodgrains can be sustained on social and equity grounds, it has been claimed that the operation of the freight equalisation policy for industrial goods like cement and steel has led to industries being located in a way that is not optimal on grounds of social efficiency. In planning for industrial investment in the organised sector, the prices of goods and rates for services should reflect real costs at the place of production and consumption.

One of the major problems faced in transporation planning has been the difficulty of building into the macro-economic planning model the spatial aspects of the development process, i.e., how to account for the impact of location of industrial and agricultural growth on the forecast of transport demand. Macro-economic planning models as they have been developed to-day are not in a position to assess rapidly the impact on the economy of the decisions to set up a super-thermal plant near pitheads, thereby reducing the

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load of coal traffic movement by the railways. This lacuna needs to be obviated by introducing locational aspects into the macro-economic model and by building in objectives, such as optimising the use of land in regional and urban planning exercises.

The poor infrastructural facilities and lack of entrepreneurship have obstructed substantial stepping-up in the assistance extended to the eastern and northern regions. In the eastern region, with the exception of West Bengal, all other States are industrially underdeveloped. This region received 12 per cent of the total assistance from the Industrial Development Bank of India, the country's apex financial institution for development assistance. The Parliamentary Committee on Public Undertakings recently pulled up the IDBI for its "pronounced regional imbalance" in the assistance rendered. It pointed out that the north-eastern region's share of development assistance provided by it over the past 16 years (1965-81) had been barely one per cent of the total amount of Rs 5,391 crores.

V

According to an authority (Sundaram), planning for backward areas in a developing country calls for a strategy with a trinity of critical components, viz., (1) A typological approach, which will determine the key development factors and programme ingredients, (2) A transitional growth process, which will identify a dynamic policy programme package to bring about a proper sequencing of the development process, and (3) The comparative advantage principle, which will guide the establishment of suitable sectoral and spatial leads in development. The various strands or elements implicit in these approaches have to be welded into a single policy package, operationalised into appropriate programmes and projects and worked out in a befitting sequence. This is just a pointer to an approach: it is not a proxy for the actual *modus operandi*.

The Indian approach appears to be characterised by three cardinal features, namely, selectivity, specificity (or focus) and dynamism (or flexibility). An all-at-once approach has been dismissed because it is inexpedient. To begin with, our approach is aimed at making a deep thrust into a specific problem, thereby contributing to the first knocking down of the key obstacle or obstacles to development in the particular area. Thereafter, the situation is buttressed, which adds to comprehensiveness in planning. This is tantamount to transition from the particular to the general, from part to the whole. At times, by making piecemeal arrangements and filling up gaps, involving small complementary investments, the development effort in a backward area can be pepped up. Instances are : Fuller utilisation of the given capacities, capturing of the different inter-linkages and externalities, promotion of management, and the introduction of certain basic social and institutional changes. In short, this is an admixture of the area-specific approach and the functional approach

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with respect to specific problems and areas and classes of people (the so-called target groups). In still other words, this is an eclectic approach. The strategy is tailored to the exigencies of the situation in question—growth, poverty, unemployment, and the like. Transition will be marked by a certain continuity in approach and a certain consistency in the use of the policy instruments devised for the purpose.

A study made by Mitra on the basis of the 1971 data revealed that backwardness was spread over the whole of India and was not identifiable with particular States. Its magnitude and frequency of dispersal varied from State to State. It was of an altogether different form from the North-South problem in the advanced countries, say, Italy, or the U.S.A. In many cases intra-State disparities were much more in the lime-light than inter-State disparities. In interpreting India's economic backwardness we must relate regions with specific classes or groups or even castes of our society, who are comparatively more tangibly handicapped or disadvantaged than others. We can go a step further by encompassing within our purview specific sub-sectors which are distressed or less prosperous because of a gamut of factors, natural, social or economic.

The Indian phenomenon has been delineated in terms of the 'double helix structure' by some authors (Patnaik, for one). This concept of the process of economic development avers that, firstly, the development process in our country is the outcome of a circular and cumulative causation and, secondly, two distinct development spirals have emerged rather than a single upward path of economic life and a more homogeneous spatial order. One path is a rapidly rising helix representing the phenomena of small groups of individuals, mostly from the modernised sector or sub-sectors or areas. The other is a slowly creeping along, and sometimes, a sliding path representing the vast multitude of the populace, areas and sizable chunks of sectors lagging behind, being steeped in a primitive life-style, privation and outmoded organisations.

It has been repeatedly noticed that in our country the concentration of different social groups in different areas has some sort of relationship with the economic backwardness or prosperity therein. This is so because these groups possess varying traits that either induce or inhibit the spirit of adventure among their young folk. The attributes of entrepreneurship are derived from the behaviour patterns and value systems of these groups, for it is these that govern their propensities to save and invest, and hence lie at the root of regional imbalances.

The distribution of unemployment and poverty and the potential for development of economic activities vary widely from region to region and also within regions. Different areas in the country are at different levels of development and have varying degrees of potential depending on local endowments. Unless development programmes

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are made area-specific to a much greater extent than in the past, regional imbalances and intra-regional variations may even be accentuated in the process of development.

The promotion of industry as a tool for the development of the backward areas requires a modicum of selectivity about the types of industry promoted and the areas chosen for such promotion.

Any policy concerning location of industry in a federal country must come to terms with the claims of the individual States. Notwithstanding this, the stress on the goal of regional dispersal does not imply the doctrine of "fair shares" for each State. Given an integrated economy in which trade between regions is possible, there is no reason why any one region cannot specialise in industries for which it has got a comparative advantage, trade the goods produced by those industries with other regions, and thereby contribute to the maximisation of national income.

The savings need not necessarily be invested in the regions where they are generated. The financial institutions furnish the mechanism by which savings generated in one region could be made available for investment in other regions.

In metropolitan regions it is essential to pursue a series of programmes aiming at balanced regional development, including appropriate land and housing policies, establishment of new towns, and decisions concerning the location of industries.

A spatial organisational framework should be founded, capable of sustaining the strains of transition.

The State Governments have a crucial part to play in evening out inter-State disparities, identifying local development potential and providing the administrative and financial support needed for local programmes. The special programmes for backward regions have to be dovetailed with the over-all development plan in order to make them cost effective. Whereas the mechanism of area planning would provide an integrated approach to the problems of regional inequalities, the sub-plan approach would integrate the area plans fully with the national development plan.

It is time that the experiences of the Central schemes of concessional finance, seed/margin money, investment subsidy, tax reliefs, specific interest subsidy for engineer entrepreneurs, and so on, be evaluated and the requisite modifications be made in order to make them more effective. In this connection due note should be taken of the recommendations of the National Committee on Development of Backward Areas (NCDBA) regarding the development of backward areas through industrialisation, which has benefited a small number of districts, mostly in close proximity to relatively developed industrial centres. The industrial estate programme has not helped much the relocation of industries away from developed areas. The licensing

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policy, being a negative policy, has not contributed much to the industrialising of backward areas. Therefore, growth centres in the industrially backward States have to be encouraged and entrepreneurs motivated through various schemes to locate their units in them. This will generate growth impulses in those areas. An Industrial Development Authority would be set up to administer such centres. Development policy must seek to prepare the ground by creating an environment which can subsequently harbour strong growth-triggering activities. The real solution lies in combining the 'growth point' and the 'dispersal of activity' approaches to the development policy. Admittedly, an uncoordinated distribution of credit policy is not going to start off a regional take-off. By the same token, non-integrated industry does not signify the automatic existence of optimally dynamic structures.

One of the lessons drawn from the working of the industrial development area scheme was that progress had been slow in the States which had taken up a relatively large number of these areas. Likewise, in the kinds of conditions where agriculture contributes a sizable proportion of the domestic income of a State, a significant rise in per capita income can be secured through intensive agricultural development coupled with investments in infra-structural facilities. Such a policy will largely contribute to industrial development, as has been the experiences in Punjab, Haryana and Gujarat.

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9

Economic Integration of Eastern India

This chapter pleads for the economic integration of the States in the eastern region of India, namely, Assam, Bihar, Orissa and West Bengal, under which its Zonal Council will act as its central planning authority or board. It is divided into three parts. In the first part the theory of economic integration is reviewed. The economic profile of the eastern region is discussed in the second part. The third part examines the potentialities of the economic integration of this region.

I. Theory of Economic Integration in Retrospect[1]

Economic integration is a process and a state of affairs. Regarded as a process, it encompasses measures designed to abolish discrimination between countries or States within a country. Viewed as a state of affairs, it can be represented by the absence of various forms of discrimination between countries or States within a country.

Integration in the sense of a union of States within a country combines the suppression of inter-State (trade) restrictions (on commodity and factor movements) with some degree of harmonization or co-ordination of economic policies of the States concerned.

Fiscal integration or harmonization of methods and rates of domestic taxation is normally a requisite for effective integration because taxation differences may affect the spatial allocation of resources in the integrated area and thus prevent productive resources from being used in the place and on the scale which is optimal. In addition, large differences in certain kinds of taxation may give rise to smuggling and so to internal revenue losses and gains amongst the participating States. Examples are indirect taxes on particular products, taxes on business profits and provision of investment concessions.

The difference between integration and co-operation is qualitative as well as quantitative. Whereas co-operation includes actions aimed

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at lessening discrimination, integration comprises measures entailing suppression of some forms of discrimination.

Allais asserts that practically the only mutually acceptable rule for close economic co-operation between democratic societies is the rule of the free market.

To sum up, an economic union or co-operation is a common market with some provision for common economic policies.

The main goal of economic integration is an increase in welfare. This goal can also be applied to regional development planning by evaluating alternative policies on the basis of their contribution to higher welfare for the integrated area as a whole. Integration is seen as a means of helping to overcome the disadvantages of small size and of making possible a greater rate of economicgrowth and development.

Regional integration refers to a process whereby the quality of relations among two or more States in a geographically confined area changes in such a way as to partially erode the autonomy of each and make it part of a larger aggregate. It groups behavioural and institutional forces describable by the term "spill-over". The term "spill-over" describes the accretion of new powers and tasks to a central institutional structure, based on changing demands and expectations on the part of the participants.

It may proceed merely on the basis of a series of parallel and mutually complementary realignments of expectations and demands, with each participant merely seeking to get the most out of the initially centralised functional context.

The economic integration of neighbouring States carries with it the following advantages of propinquity :

(a) The distances to be traversed are shorter in the case of neighbouring States,

(b) Tastes are more likely to be similar and distribution channels can be more easily established in adjacent economies, and

(c) The neighbouring States may have a common history, awareness of common interests, etc., and hence be more willing to co-ordinate their policies.

Let us elaborate these one by one :

(a) Geographical distance has a considerable effect on economic intercourse. But the cost of traversing the distance rather than the actual mileage would be more relevant in our case. For this we have to distinguish the geographical distance from the economic

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distance. 'Economic distance' is determined by 'geographical distance,' the cost of transport, and existing transport facilities. As a general proposition, it can be stated that, other things being equal, the shorter the economic distance between any two States, the greater are the potentialities of economic intercourse between them, and the more will the union benefit from their integration. Low transportation costs associated with short economic distances will increase the positive production effects through the low degree of geographical protection and are likely to cause less trade diversion between the union and outside world. This proposition can be used in evaluating actual integration projects.

(b) It is easier for a firm to establish distribution channels in adjacent States since the cost of supervision and communication increases with distance. The same considerations apply in the case of repair facilities. The latter have special importance in regard to durable consumer goods, machinery and equipment.

(c) These may alleviate the task of settling disputes and undertaking common responsibilities. Common interests are a cohesive force of primary importance. Traditional enmities and aversions of the neighbouring States obstruct as they do the way towards integration, they may yet undergo changes in a relatively short time.

Integration by eliminating or substantially reducing the barriers to the movements of commodities and factors in between the member States will expand specialisation and exchange among them. On the basis of reciprocity it will enable them to put into practice the principle of comparative advantage. Specialization between member States will enable the more effective attainment of goals like industrial development and a balanced economic structure, which will be speeded up when import substitution is facilitated by integration.

The member States will make an increased use of their natural raw materials by accelerating the pace of their industrialization. In consequence, the trade in primary and manufactured goods within the member States will grow.

The protection provided to the infant industries, sectors and regions within the region will enable them to 'learn by doing' and to develop.

Co-ordination of their key projects, if carried out simultaneously, will enable the member States to undertake them profitably.

Co-operation among the members in the matter of investment in infrastructure will yield scale and external economies. The creation of a union is equivalent to the pooling of manufacturing capacity, specialized skills and inventories.

Complementarity among the member States will make possible larger savings in costs, improved productive and exchange efficiency,

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and a favourable consumption effect. When they produce at lower costs, their competitive power outside the union will be enhanced.

Economic integration will work out its beneficial effects through the widening and intensification of competition, which will accompany the unification of the erstwhile isolated markets and the liquidation of monopoly conditions. This will actuate the producers to improve their methods of production. The general level of efficiency will thus be stepped up.

Where a lower per capita income, a smaller population, and a narrower resource-base are the serious limitations of the States trying to develop separately, economic integration will release the advantages of a larger market, viz., furtherance of the economies of scale and reduction in the real costs of production, a once-and-for-all rise in the standard of living, external economies, escape from regulation and redistribution, lessening of uncertainty in intra-area trade, entry of more foreign capital, diversification of production and expansion of employment opportunities, greater economic stability, a faster rate of technical change, and the like.

Economies of scale are appropriated out of increased specialization which requires construction of larger plants, lengthening of production runs in the manufacture of particular products, and use of specialized machinery and equipment.

Among non-market interactions, external economies in knowledge, technical and organizational, are likely to be more important than those in labour skills, e.g., discoveries in basic research, spreading of existing knowledge, acceleration of the rate of technical change, and technical progress. The latter will be operative when they are unevenly distributed among the member States. Inter-State migration will be a solution to this unevenness.

Differences in wage policies, government finances, social benefits, monetary and banking policies, and uncertainty as to the future changes in these policies cause perverse factor movements between States. Their economic integration by ironing out these differences will render factor movements orderly and smooth.

Factor movements within the union will have an equalizing effect on factor prices. They will reduce the quantitative differences in the endowments of qualitatively identical factors and will thereby enhance the relative importance of natural resources, transport facilities and the pull of the markets in their effect on trade. The differences in production costs between the member States will diminish.

Dynamic changes, such as disparate rates of productivity growth and changes in tastes, may reverse the tendency towards factor price equalization within the union.

Joint planning of development, which would involve its phasing,

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character and location, will have certain favourable effects. Economic integration of the member States will signify an alternative path of development by opening up possibilities of setting up new productive activities, especially industrial. The extent of gain from production effect will hinge on whether the shift in resource-allocation is substantial or not. It will be substantial if differences in transport costs, natural endowments, and productivity between the member States are sufficiently large; also if the integrated area is large. Its extent will also turn on the establishment or re-establishment of the continuity of economic flow within the area.

Economic integration will remedy locational distortions and impart a fillip to the emergence of growth points. This tendency will be strengthened when fixed resources are concentrated in particular regions of the member States, when there are deterrents to the mobility of population or when there are costs of distribution.

To put the preceding in a nutshell, it has been customary with the writers of works on economic integration to classify the effects of a union into static and dynamic ones. The static effects on welfare are produced through changes brought about by it in resource-allocation (both trade-creating and trade-diverting) and production-allocation among different producers, consumption-pattern via changing relative price-structure of goods, and trade terms (which represent a redistribution of real income). Most of these effects will be realized in the short run with a better utilization of the given productive capacity which will create more employment and output and thereby lessen the inflationary pressures.

The dynamic effects on welfare are wrought through economies of scale, market-structure via increased capital mobility and implicit growth rate via induced research and development. In the long run, these will culminate in a situation where, with less investment in additional equipment and inventories, more output will be achieved and the volume, nature and direction of investment will be altered. A more competitive spirit will be fostered, which in turn will lead to a more active search for innovations and rationalization of production. The risk and uncertainty factors associated with foreign transactions and complex trade and exchange regulation will be mitigated. Whilst the bargaining power of the member States will improve, their external vulnerability will relent. The net outcome will be a stepping-up of the long-term rate of growth of their economies.

Economic unions may accentuate or lessen regional disparities by reinforcing or reducing the advantages of the already prosperous areas as growth gathers momentum. Since not all member States will grow at the same pace, one danger of economic integration is that it may direct its benefits chiefly towards the more advanced members of the union to the detriment of the less advanced. By way

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of generalization, we can say that whereas the static effects of economic integration are more relevant to the more advanced, its dynamic effects are more so to the less advanced member States. Factor migration might be directed towards pockets yielding higher returns. Living standards in the less prosperous areas may deteriorate when their age-structure deteriorates and per capita tax-burden rises. Perroux maintains that integration and development of the backward States are incompatible inasmuch as integration favours the advanced States. Integration would aggravate the initial disparities. Its backwash effects will far outweigh its spread effects.

The main factors that influence this polarization trend are various:—

(1) The initial disparities themselves make it difficult for the most backward countries to have the political and technical skills required to prevent the mechanism of the integration programmes from worsening the disparities.

(2) The concrete nature of the integration scheme may complicate matters if integration is conceived of as just the establishing of free trade and free movement of factors. In this case the polarization effect would be stronger.

(3) If the 'periphery' is rich in natural resources, complementary factors of production are likely to move from the 'centre' to the 'periphery'. Obviously, if the 'periphery' lacks natural resources, factors will flow from there to the 'centre'.

In summary, economic integration generates opportunities and obstacles, benefits and costs simultaneously, which depend on the economic conditions of the member States and their capacities for taking advantage of those opportunities as well as on the programmes contemplated by the union authority. Whereas the benefits from economic integration comprise employment of idle resources, increased industrialization, and diversification, its costs include higher prices paid for substitutes of outside imports.

The following are the obstacles to the progress of economic integration :—

1. The initial disparities in the levels of economic development of the member States and their possible widening during the integration process weaken the scheme and augment the frequency of disruptive crisis.

2. The poorer member States lack the necessary skills to negotiate agreements for the protection of their own interests.

3. The diversity of aims of the member States is an impediment to the reaching of a workable agreement by them.

4. The member States might expect too much from integration

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and hence postpone internal measures which should normally follow integration.

5. The more prosperous member States might be unduly pressurized for making concessions to the less prosperous ones.

6. Attempts to correct imbalances in the industrial structure of a union might lead to the fetishization of the idea of balanced development and hence jeopardize the gains from specialization that are based on the diversification of economic activity between member States.

The experiences of the EEC show how increased investment has speeded up economic growth in the member countries. Growth has been most rapid in Italy. Differences in their income levels have narrowed down. Most of this achievement is ascribable to market integration, for little progress has been made on the production and development integration front.

The integration schemes in the developing States have generally failed to live up to expectations owing to the following reasons:

1. Item-by-item negotiations on tariff reductions have encountered considerable difficulties because of the power of special interests.

2. Differences in the level of industrial development have made agreement in trade liberalization difficult.

3. Distortions in relative prices due to protection have rendered determination of the benefits from integration difficult.

4. The governments of the individual States have been anxious to safeguard their sovereignty.

The abovementioned difficulties have been more pronounced on the production and development front. Few integration industries have come up. Greater success has been attained in the spheres of transportation, communications, and water resources, where benefits are quantifiable relatively easily.

The prerequisites for success are as under:

1. The more prosperous member States should import from the less prosperous ones and contribute more to their development.

2. A union is more likely to have beneficial effects on efficiency (a) the more competitive the structure of the participating States, (b), the greater the differences in the cost of commodities actually produced prior to the establishment of the union, (c) the larger the size of the union, (d) the shorter the economic distances between the member States, (e) the higher the level of the pre-union barriers, and (f) the greater the degree of the pre-union intercourse between the participating States.

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3. Efforts should be made to explore all the hidden resources of a member State. None of the factors affecting the growth of a member State should be permitted to act as a bottleneck.

4. The policies of the member States towards the operation and development of manufacturing industry and socio-economic infrastructure must be properly dovetailed and co-ordinated, and shared as per an agreement for ensuring their full effectiveness. A system of industrial licensing and transfers, investment concessions and loan guarantees to private enterprise, joint government financial participation, and dissemination of information should be adopted. The loan and investment policies of the development corporations should be similarly formulated.

5. The objectives of the participating elites must be parallel or converging. Their values must be sufficiently congruent to facilitate co-operation in joint institutions for purely instrumental motives. The conflict between State autonomy and economic self-interest can be resolved only if there is a political interest and the political will to do so. "Economic integration thus appears as part of a political process, the final outcome of which is determined by essentially political factors".

II. The Economic Profile of the Eastern Region[2]

The eastern region occupies 15 per cent of the total area but 25 per cent of the total population of India. It claims 26 per cent of the employment in the organized sector of the country. It produces 21.8 per cent of all-India foodgrain production. It accounts for 51.16 per cent of the total mineral production in the nation—67.03 per cent coal, 57 per cent copper ore, over 50 per cent dolomite, 36.35 per cent bauxite ore, 31 to 32 per cent iron ore, 31.52 per cent manganese, and 19 to 20 per cent limestone. Lead, uranium and chromite occur in this region. Until 1960 Assam was the only oil producing State in India. 26.60 per cent of all paper board, 25.18 per cent of all silk and 16.50 per cent of all cement are produced in this region.

The area covered by forests in each State of this region is above the national average. Road mileage per 100 km. in all the four States of this region is above the national average.

By and large, this region does not fare badly in yield per hectare of the principal crops, although in certain cases agricultural productivity appears to be on the low side when the area and the output are compared.

Per capita income, urban population as percentage of total population, factory employment per 1,000 population, per capita gross factory output, hospital beds per 10,000 population, fertilizer consumption per hectare of cropped area, per capita electricity

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consumption and daily newspaper circulation per 1,000 population in all States of the region except West Bengal, and irrigated area as percentage of cropped area in all States of the region except Bihar are each below the national average.

Working population as percentage of total population, percentage of total potential utilized through irrigation works, motor vehicles per 10,000 population and percentage of children in primary schools were each below the national average in all States of the region.[3]

Among the various States, Orissa ranks fourth in respect of total mineral production; Bihar ranks first; West Bengal second; and Madhya Pradesh third. Mineral-wise, Assam ranks first in the production of manganese ore, chromite ore and dolomite raisings.

The mainstay of the economy of the eastern region is constituted by coal, jute and textiles; tea and engineering including iron and steel industries. The exploitation of the mineral resources and the production of jute ('the golden fibre') and tea "once gave the eastern region its economic primacy over all others in India and brought in its wake a cultural resurgence to which many in the country still look back with a touch of nostalgia".[4]

The Damodar Valley has 80 per cent of all coal in the country, 90 per cent of all iron, 100 per cent of copper, 70 per cent of chromite and mica, 50 per cent of fire-clay, nearly 50 per cent of China clay and asbestos. The valley is literally the mineral store-house of India.

These four States are the traditional rice-growing States but they are coming up excellently in wheat production too, with increasing application of fertilizer.

Jute plays a crucial role in the economy of this region. The jute industry provides livelihood to millions of the people. Its annual turnover is of the order of Rs 465 crores. Most of it is localised in this region largely on the bank of the Hooghly in Calcutta, accounting for 30 per cent of the world's turnover and 40 per cent of the world export.

Assam is one of the important producers of quality jute, producing roughly 20 per cent of the country's total production. In the absence of any substantial local consumption the entire produce of jute goes to feed the mills in Calcutta.

Tea cultivation dominates the Assam economy, contributing nearly 50 per cent of the all-India production and providing employment to more than 4 lakh workers.

The eastern region of India contains some of the most highly developed industrial complexes of India. The area between Asansol

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and Jamshedpur has often been described as the 'Ruhr of India' because of its vast resources of coal and iron ore.

The iron and steel industry is a *sine qua non* of economic development. All the three units of this industry in the private sector are located in the eastern region : one in Bihar (TISCO) and two in West Bengal (SCOB and BURNPUR). There are three units in the public sector : One each in Bihar (Bokaro), Orissa (Rourkela) and West Bengal (Durgapur).

There is the HEC in Bihar (at Ranchi), the National Instrument Factory (at Jadavpur) and Chitranjan Locomotive Factory (in West Bengal).

There are three fertilizer factories, one each in Bihar (Sindri), Orissa (Rourkela) and West Bengal (Durgapur).

The most important mineral resource available in Assam is crude petroleum, followed by natural gas. Natural gas is produced at Naharkatiya in Assam. Assam's crude feeds three oil refineries in the eastern region. There are three oil refineriesone at Barauni in Bihar and two at Nunmati and Gauhati in Assam.

The Association of Indian Engineering Industry (AIEG) set up an entrepreneurship development service with effect from February 1, 1975 for encouraging industrial development in the eastern region of India, which is the heartland of the engineering industry representing 65 per cent of the total capital employed by the industry and covering 50 per cent of the AIEG membership in the country.

West Bengal is the most industrialized State in the eastern and north-eastern regions of India. It has a plentiful supply of trained manpower. Many industries in the State process raw materials imported from outside and the State is a distributing centre of goods throughout eastern India.

West Bengal along with Maharashtra, Gujarat and Tamil Nadu has absorbed more than half of the resources channelled through the three main financial institutions, viz., IFC, ICICI and IDB.

Coal production in the region which was 78 million tonnes at the time of nationalisation rose to 100 million tonnes and has remained practically stagnant at that figure for the past three years.

Although Bihar occupies a pre-eminent position in the country in respect of variety and richness of mineral wealth, yet the share of the State in the country's mineral production has considerably declined during the past decades. While in 1955 Bihar contributed as much as 38.11 per cent of the national mineral output, in 1976 the State's share had slid down to 29.52 per cent. This decline is attributable primarily to the lack of infrastructural facilities.

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In 1950-51 Bihar held the first place in cement production in the country with roughly 33 per cent of the all-India output. Since then there has been a progressive decline and its share now stands at only 12 per cent of the all-India output.

The share of Bihar in sugar production in the country fell from 25 per cent in 1939 to 8 per cent in 1971. The importance of jute as a commercial crop has been declining in Bihar (main production districts being Purnea and Saharsa) because of a steady pull exercised by food crops. The jute industry in the State has been passing through a deep crisis. Exports have been falling because of the inroads made by synthetics.

The area under jute in the region has fluctuated widely. Production has declined from 3.6 million tonnes in 1973-74 to 3.4 tonnes in 1976-77. The yield per hectare of raw jute has remained virtually stagnant for the past many years. There is need for modernization of plant and machinery and, above all, for research in new uses and applications of this fibre. Owing to competition from synthetics and paper products, exports of jute have been falling, the index number having declined from 90 in 1969-70 to 78 in 1975-76.[5]

Tea has been Assam's oldest industry but its share in the country's total production has been declining slowly over the years, from about 57 per cent in 1938 to about 50 per cent now. This is partly because of the slow progress in replantation and introduction of high-yielding varieties of cloves. Assam's tea industry suffers from several hardships as compared to plantation elsewhere in the country in regard to tax burden, production costs and transport facilities.

The production cost of tea in Assam has remained high because of (a) the strongly seasonal character of tea production in the State, causing forced idleness of labour for about four months in a year with a consequent increase in overhead costs and (b) the non-availability of electric power for most of the gardens which otherwise would have helped to reduce the production costs and promoted modernization of the equipment. The profitability of the industry has been going down. Hence, there has been little incentive for modernization of equipment and in the implementation of the replantation programme.

The tea industry of Assam, as the largest organised industry of the State, has enormous potential for its economic development having a reservoir of management talents and substantial assets in the form of vacant land awaiting development.

A principal stumbling-block in the way of the progress of this region is low productivity and the outmoded institutional framework of agriculture. No signs of the Green Revolution are visible in this region except in certain pockets where production of wheat has shot up spectacularly. For example, the yield of the major crop, winter

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rice has remained unchanged around 900 kg. per hectare in Bihar.

In the eastern region the annual water exploitation in relation to available potential is rather low but the tempo has been gathering momentum lately.

The central weakness of Bihar's agriculture, which supports nearly 80 per cent of its population, has been instability generated by frequent floods and droughts. It takes much time for the economies of these States to recuperate when a natural calamity like flood or drought occurs which causes colossal loss of crops and assets and human lives, besides involving a huge public expenditure on relief operations and resumption of the normal tempo of development activities. Modernization of agriculture in Bihar is dependent on dealing with these problems by means of flood control schemes and irrigation facilities.

The low productivity of the rice area in the past has been responsible for Bihar's large food deficits, covered by imports largely of wheat and maize (which have lately led to increased allocation of land to them) which represented a continuous withdrawal of the streams of income from Bihar's economy.

Agricultural progress in Assam has been disappointing both in relation to possibilities offered by its excellent soil and favourable climatic conditions and development elsewhere in the country. Rice continues to be the main crop of the State accounting for about 97 per cent of the total foodgrain production and 70 per cent of the total cultivated area but the average rice yield in Assam is low at 9.6 quintals per hectare as against an all-India average of 10.3 quintals.

The behaviour of the Brahmaputra and its tributaries and the recurrent problem of flood have contributed to the uncertainty of agriculture in the State.

At present, rice production in Orissa is undertaken even on the marginal lands where it is found to be uneconomic. The rate of increase of agricultural production in West Bengal has slowed down in the present decade and has been relatively sluggish throughout for the production of foodgrains.

The fact that there are very few co-operative credit societies in eastern India shows how the people in these States lack the co-operative spirit.

All the four States have a few enclaves or islands of industry amidst vast oceans of agriculture. In 1969 the Pande Committee identified Assam, Bihar and Orissa as backward States.

Today almost all the industries of the West Bengal-Bihar Complex are facing one kind of crisis or the other. As Kaul puts it, "In the industrially developed Bengal area, once the commercial centre of the whole of India, the danger arises out of the growing frustration and feeling of alienation, especially amongst the educated

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employed. This is adding a psychological dimension to the economic problems facing the region and aggravating the crisis".[6]

Industrial development started in this region over a hundred years ago but it has not been able to move with the times. To quote Kaul again, "The capital required for modernizing the entire industrial structure of this region would add up to a mind-boggling figure and yet without this being done the region cannot hope to compete with other parts of the country which joined the race of industrialization much later but in the process gained the advantage of starting with more developed technology and modern plants and machinery".

The comparative advantage that the region had in the engineering industry because of its geographical location, being the main producer of coal and iron ore, was lost quite early. The engineering industry in this region grew mainly as a supplier to the railways but the cut-back in railway spending that started in 1965 brought about a severe recession, in it. While the rest of India recovered from the recession, this region continued to face a recessionary situation because the centre of industrial activity had shifted mostly towards western and southern India, for example, the industries based on petrochemicals, electronics, etc.

It is necessary to refer in this context to one factor which many people in the region regard as a vital link in the chain of events that led to a decline of this region. Diagnosing this malaise the former Finance Minister of West Bengal is reported to have remarked thus: "Given the factor of interdependence between the eastern part of the country and the rest of the economy, the Government of India owes it to itself and to the nation to take a long hard look at the reasons underlying the more or less uninterrupted economic recession from which West Bengal, Bihar, Assam and other economies in this part are suffering. One should really go back to the late 1950s when the decision was taken to stabilize the prices of the three key commodities in which the eastern part holds a natural comparative advantage, namely, coal, iron ore and steel. Now this was a certain advantage which naturally accrued to this part of the country and this advantage was, through an administrative fiat, taken away and nothing was offered instead."[7]

The AIEG noted that the rate of development in the eastern States was low, resulting in sluggish economic activity, which in turn gave rise to social tensions and a tendency towards political instability. Unemployment was the bane of the region. The region's share in industrial licences had declined from 27.4 per cent in 1966 to 16.2 per cent in 1972. During 1964-73 all States in these two regions (eastern and north-eastern) received fewer letters of intent and licences for industries than those granted to Maharashtra alone. In 1972, 36 per cent of the licences issued went to the western region, 24 per cent each to the northern and southern regions and 16.2 per cent to

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the eastern region. In 1973, 12 per cent of the foreign collaboration agreements came to the eastern region.

The eastern and north-eastern regions, representing over 25 per cent of the country's population, had over 3 million registered unemployed on August 31, 1974. Bihar stood second to West Bengal in the tally of unemployed youth.

West Bengal earns 40 per cent of India's total foreign exchange and contributes over 20 per cent of the national industrial output.

While at the national level the significance of the industrial sector has grown over time, in West Bengal it has remained almost constant. The position of West Bengal as the hub of the eastern region deteriorated sharply during the 1960s. The largest number of large-scale sick units are in West Bengal. Engineering, jute, sugar and cement industries are the worst afflicted with sickness.

According to the Industrial Potential Survey Report on Bihar, "The comparatively integrated economy of eastern India in the pre-Independence period, with the undivided Bengal at the centre, received its stimulus from export production in tea and jute and exploitation of certain minerals, and not from activities which strengthened production facilities over a wide front. Calcutta's own unique position in the past was derived from its role as a chief trading centre for foreign and extra-regional manufactured goods. Absence of a broad-based manufacturing activity, on the basis of which local requirements can be satisfied to the fullest extent justified by the region's population and resources, constituted a crucial weakness of the economy of the eastern region. This was not apparent in West Bengal because of the importance of the Calcutta Metropolitan District; but the past stagnation of Bihar's economy is an adequate enough illustration of the problem".

To repeat, the economic situation in Bihar is one of stagnation, if not of decline. In the Memorandum submitted to the Seventh Finance Commission by the Bihar Government it is stated: "Bihar is caught in a vicious circle of backwardness resulting from a very low level of income, low savings and resultant low capital formation and very inadequate outlay on development. It is very difficult, rather impossible, for the State to break this circle and assume a higher rate of development all by itself. It is not that there is a dearth of potential for development in Bihar. In fact, Bihar has abundance of mineral wealth and vast potential for agricultural and industrial development. But the tragedy is that despite these potentials, Bihar's economy has stagnated over the years for lack of what we may call, a big push to help it break the vicious circle".

The power problem today represents one of the most serious constraints on the region's development. In 1951 this region was

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well ahead of other regions with a total installed generating capacity of 598 MW. By 1971 with 3,337 MW it was trailing behind all others. Per capita consumption of electricity in Bihar, Assam and Orissa is much lower than that in Gujarat, Haryana, Maharashtra, Punjab and Tamil Nadu. In the matter of rural electrification too this region occupies a much lower position as compared to some other regions. On a conservative estimate, the total power shortage will have risen from 527 MW to 747 at the end of the 1978-83 Plan.

The region suffers also from bad transport and communication facilities. The roads are in an awfully bad condition. Non-Plan expenditure has remained at the inescapable minimum in the region with the result that the maintenance of these assets has remained unattended most of all.

Floods and power shortage affect production of coal and steel respectively. Every now and then floods cause serious damage to the economies of Assam, West Bengal and Bihar, rendering the task of their reconstruction more difficult.

The potential of this region for growth is enormous. Further scientific prospecting and intensive survey of the area will uncover far greater mineral wealth. With the provision of cheap power it will be easier to establish heavy industries and electro-chemical industries, and to electrify the coal-mines and the railways in the region. In time this region will come to have the same significance for India as the Ruhr Valley has for Germany.

Haldia with its port, refinery and fertilizer plant might speed up industrial growth of the region. The utility of Paradip cannot be restricted to the requirements of exports of ores from Orissa as at present but should be enlarged to cover a hinterland consisting of the neighbouring States.

There is a vast reservoir of skilled labour and an intelligentsia in West Bengal which are second to none in the country, provided right leadership emerges and a congenial atmosphere is created. The case of other States is different. One of the most important factors responsible for their backwardness has been the lack of proper entrepreneurship capable of implementing and managing the projects based on locally available raw materials. There have also been marked deficiencies of technical and managerial skills in these States.

The region does not lack in capital resources either, but in a conducive atmosphere and in the provision of incentives for increased investment. These "bedevil the efforts of all entrepreneurs seeking profitable avenues for deploying their capital".

The entire region, though a low-consumption market at present contains the potential for a very large market, having one-fourth of the total population of the country. This potential will be realized if its economy receives the needed impetus to expand.

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III. Potentialities of the Economic Integration of the Eastern Region

At present 'free trade' among the States of the region is non-existent. Certain barriers and restrictions existing between these States which deter the completely free movement of a number of goods and certain instruments of production, differences in the prices charged for particular services as also in the fiscal and credit policies of the States, etc., are analogous to the international trade restrictions and factor immobility and price and other differentials.

To substantiate, there are in force orders of the State Governments approved by the Central Government controlling and restricting intra-State movements of commodities, chiefly foodgrains (rice, paddy and their products, wheat and wheat products, maize, pulses, coarse grains, milk and milk products, potato, fodder and even fertilizer). The inter-State trade in jute textiles, drugs, fertilizers, non-ferrous metals and their manufactures, semi-manufactures, chemicals, cinema films (raw), cement, soap, textile machinery, silk textiles, matches, cycle tyres, ferro silicon, ferrous products, ferrous scrap, lamps, tubes, soda ash, tractors, coconut husk, commodities used in the manufacture of electrical cables, copper wires, rubbers, yarns, etc., is controlled under the Essential Commodities Act by the different State Governments.

There are disparities in the power tariffs in the neighbouring States. Restrictions are placed on the inter-State motor transport services and long haulages under the code of principles and practice. The complex and variegated pattern of excise taxes and sales taxes in the region creates unnecessary hurdles for the dealers and facilitates tax evasion.

The economic integration of the eastern region States will promote their common interests and foster the building up of their unity. It will yield to them the economies of large size in certain spheres. The economic relationships between the States will be tightened, harmonized and unified. The principle of comparative advantage will be acted upon conscientiously. Growth-oriented free trade will act as a pus catalyst and impart a salutary push to their economies. Their bargaining power will improve and their external vulnerability relent. The extent of their markets will be widened. This will enable them to overcome, at a later stage in their growth, the impediments of this sort which hampered it at an earlier stage in the process of hammering out their long-run development programmes.

Such economic integration will be desirable for sorting out several inter-State problems concerning development of common facilities, such as transport, power, scientific research, control of floods and communicable diseases like malaria and filaria, evolution of common policies in the maintenance of security in the border areas and of law and order and standards in the educational institutions and in such fields as labour and land legislation, taxation, promotion of industry

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including ancillary industries, market borrowings, etc., and formulating a common policy on these subjects.

One of the most compelling reasons for economic integration is the prospect of exploiting the large-scale economies associated with modern manufacturing technologies and research and development efforts, for example, electric power, computerization, aviation, metropolitan and environmental planning, exchange of technical and business know-how, etc. Exploiting modern technology requires a high degree of training and specialization, heavy capital investments and large-scale production, which are the likely gains from economic integration.

Projects, such as irrigation and power projects, having high productivity and traversing the State boundaries, which have tended to get delayed in favour of lower-productivity projects because the States concerned have failed to negotiate and to come to an agreement on how to share waters or their costs, will not get delayed once these States are economically integrated.[8]

Comprehensive river basin planning covering various aspects, e.g., irrigation, flood control, navigation, soil conservation, afforestation, etc., and development of ground-water resources often run across State boundaries. Co-operation among the States is necessary for investigation, allocation of waters and sharing of costs. So far as the inter-State irrigation systems are concerned, progress in one State should correspond to that in another and be maintained at the maximum pace possible. In the absence of the zonal approach there is an inherent danger that large energy resources concentrated in some States will remain under-utilized either because of the inability of their Governments to finance the project from their own limited resources or because of the deficiency of the power demand in particular States to necessitate this development in the immediate future.[9] Economic integration will help resolve problems of development in these fields because these are problems which can be solved only by planning for a catchment area larger than that provided by any one State. Moreover, it will enable the member States to defuse the economic crisis (whose one articulated form is stagnation in some sectors and decline in others) which has gripped all of them and thereby to step up the over-all rate of growth of the economy of each State (which has been both slow and sluggish), and hence of the economy of the whole region through collective endeavours.

Economic integration will lessen inter-State rivalries and thereby generate a sense of regional unity, which presumes that the behaviour of adjoining States is fraternal rather than hostile. It will lead to uniformisation in the rates of excise taxes, rates and forms of sales taxes and power tariffs as well as remove double taxation on vehicles operating on the inter-State routes. Fiscal integration or harmonization of the rates and patterns of the member States' taxation will

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ensure effective integration because taxation differences, or even their possibility, affect the spatial diversion of resources in a region by entailing various distortions and thus prevent them from being utilized in the places and on the scales which are ideal or optimal, besides giving rise to smuggling, and hence to revenue losses and gains amongst the participating States. It will bring forth an agreement among the member States on what the basis of distribution of the net proceeds of income tax should be.[10]

The location of industries in the region will come to be based on economic rather than political considerations. More outside investment will be attracted. The scramble by the individual States for a share in most investments, whether public or private, that are considered at any time will be avoided, and uneconomic plants will not have to be allotted under duress to the claimant States. The Licensing Committee's operation will not be influenced by the States which clamour for industrial investments within their borders. The union will evolve a coherent economic policy on this issue. It will attach due importance to spatial planning. Its industrial targets will take on the space dimension.[11] The State Governments will direct their fiscal and credit policies to locate new enterprises at places jointly agreed upon by them. Short of this agreement in specialization for reaping scale economies, increased competition will most likely stimulate an agglomeration of industries in the already developed pockets. Investment concessions will be so determined as to contribute by planned differentials to the intended distribution of industry. A more rational pattern of production and trade within the region will emerge out of such integration.

The chronic power shortage problem of the region will be tackled by setting up big coal-based thermal plants in its coal-belt. Already there are a few thermal power plants in this region, viz., at Durgapur and Chandrapur in West Bengal, at Bokaro, Barauni and Patratu in Bihar, and Talchar in Orissa.

The Study Teams sponsored by the all-India term-financing institutions in their reports envisage co-operation among these States in the production of cement, coal chemicals, special steel and tractors, and in the full utilization of the given capacities of the refractory and ceramic units, paper, cotton, jute and sugar mills, besides in the supply of dairy products (fish seems to be an important omission).

Economic integration will break the vicious circle and restore the confidence of the people in the region in the economic future of their own States and of India as a whole. The States would do whatever they are able to do to assist one another in the tasks of recovery, stabilisation and growth through inter-regional economic co-operation and reciprocity and mutually agreed specialization in a widened, restriction-free, modernized and integrated economy, maintaining their political frontiers intact at the same time.

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The chief instrument of the union for fostering regional development will be the intra-regional transfer of resources which will assume the form of regional rediversion of public investment. Funds of the union will be used to revamp and to reorganize the regional economy in keeping with a common plan.

Some base for the economic integration of the four States of the eastern region of India is already there. We have the Damodar Valley Corporation (DVC), the River Boards, the Regional Electricity Boards, and, to crown all, the Zonal Councils. This is explained below :

(1) The DVC is a form of co-operation between Bihar and West Bengal, involving the surrender of the States' rights to it. It is organized as a public corporation and is advised by a committee on which the Central Government and the two States are represented. It is the first major effort made by the Central Government in the area of resource development. The diagnostic survey of the Damodar Valley Region was occasioned by the need for co-ordinating the urban and industrial development taking place in Bihar and West Bengal in the wake of the multi-purpose river basin development programmes administered by the DVC.[12]

The Town and Country Planning Organisation subsequently combined the Damodar Valley and Dandakaranya Regions along their intervening areas into one single planning region called the South-East Region, comprising parts of five States, namely, West Bengal, Bihar, Madhya Pradesh, Orissa and Uttar Pradesh, because of the strong resource linkages existing within this region and their common development problems. In 1973 a plan for this inter-State region was prepared under the auspices of a Joint Planning Board set up by the Planning Commission, consisting of the representatives of the concerned States and the Centre.

The regional planning of the South-East Resource Region is "a unique experiment in this country, being an endeavour in inter-State collaboration in the planning of a resource region". It follows the partnership and the consultative approach. Being advisory in character, its success depends essentially on "the degree of participation in the planning process and faith in its implementation by the constituent States".

The regional plan of the South-East Resource Region is concerned with problems of development of the human as well as natural resources and with tasks of adjustment and reconciliation in some critical areas, such as the Asansol-Durgapur area. Attempts are afoot to dovetail the recommendations of this regional plan into the operational medium-and short-term plans of the Centre and the States[13].

(2) [14]There is a River Board constituted by the Central Government for sharing the waters of the Subarnarekha between Bihar, West

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Bengal and Orissa; another for the utilization of the river waters by Bihar and West Bengal. The River Boards are supposed to facilitate the speedy completion of the soil conservation programmes, to co-ordinate programmes of afforestation and control of soil erosion in the inter-State river valleys, to chalk out schemes, to apportion their costs and benefits and to co-ordinate the activities of the different State organizations. The tribunals constituted by the Central Government adjudicate disputes between States in respect of the river valley projects and their benefits.

(3) [15]The same type of inter-State collaboration as characterized the execution of the river valley projects previously was extended subsequently to that of power development. The Regional Electricity Boards came into being during the Third Plan period with a view to fostering the integration of the power system at the regional level so that the power resources are exploited in the most economical manner for the benefit of the entire region regardless of the States 'boundaries. Interconnections between the States' grid systems enabling inter-State pooling of their generation capacities, and transfer of power for maximizing benefits to the best advantage of the region was a significant development during the Third Plan period.

(4) [16]There is a Zonal Council for the eastern region, constituted under Article 252 of the Indian Constitution and provided for in the States' Reorganization Act of 1956. The functions of the Council are to discuss any matter in which some or all of the States represented in that Council or the Centre and one or more of the States represented in that Council, have a common interest, and to advise the Central Government and the Government of each State concerned as to the action to be taken on any such matter. The Council might discuss and make recommendations on (a) any matter of common interest in the field of economic and social planning; (b) any matter concerning border disputes, linguistic minorities or inter-State transport; and (c) any matter connected with, or arising out of, the reorganization of the States under this Act.

The Council is to consist of (a) a Central Minister as Chairman and (b) the Chief Ministers and two other ministers of the participating States. Its advisory personnel, with voices but without votes, includes the Chief Secretaries of the participating States and a representative of the Planning Commission. A secretariat staff is provided. Meetings are to be held at the direction of the Chairman, rules of procedure require the approval of the Central Government, and decisions are to be taken by majority vote of the members present.

Under the impetus given by the then Union Home Minister, Pandit G.B. Pant, the Zonal Councils showed "some initial vigour but soon got into the habit of referring all difficult questions to a maze of inconclusive sub-committees". Some of them took useful

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decisions about co-operation among the police forces and co-ordination of manpower requirements but "their role in transport development, water control and electricity supply has been peripheral".

The Planning Commission's publication entitled "Economic Development in Different Regions of India" expressed the hope that the Zonal Councils would ultimately form the nucleus for zonal or macro-regional planning in the country.

The Councils still exist and still meet from time to time but occupy "such a modest corner of India's political and administrative life that few commentators choose to do more than barely mention them". To reproduce Hanson's expert opinion on it, "To the extent that adjoining States co-operate in these matters, it is still mainly on the basis of direct government-to-government negotiations, the results of which the Zonal Councils may or may not record. The Planning Commission continues to send representatives to their meetings and to raise subjects for discussion, but the importance that it attaches to them may be measured by the fact that it does not even mention them in the Third Five-Year Plan report. So far it has not even taken up the suggestion that the areas covered by its Programmes Advisers should coincide with the Zones". He goes on, "The idea of the Zonal Council, as a planning agency, is administratively sound but politically doubtful. Its success depends upon habits of inter-State co-operation which are absent or weak, and which mere institutional arrangements can do little to promote".

Although the foregoing critique of the working of the Zonal Councils by Professor Hanson is, by and large, correct and candid, yet we would like to suggest that the River Boards, the Regional Electricity Boards, the Town and Country Planning Organization, etc., should all merge with the Zonal Council, which, when activated, remodelled and restructured, would work out the modalities of the proposed economic union of the four States of the eastern region and function as its central planning authority or board.

It would not be out of place to conclude by reminding ourselves of the fact that nearly three-quarters of a century ago all these four States formed one administrative unit, a historic fact which should act as a re-cementing force of no mean importance.

Inasmuch as the membership of the union will presuppose certain obligations on the part of each State regarding its behaviour in respect of inter-State economic relationships, it will naturally impose certain constraints on the formulation of its own economic policy and oblige it to make certain sacrifices in the larger interest of the group. As such the creation of the regional economic union "without borders" will not be either an easy or a smooth process. There are both centrifugal forces at work in the region today; tending to bring the States together and to push them apart at the same time. Therefore, their economic integration will not be dramatic: it will be but gradual.

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The inequities in the distribution of the gains from the economic integration of the States in question, if any, will have to be corrected by means of "a system of public finance transfers among members, a regional development bank, encouragement of free factor movements, regional policies for the location of industry, the pooling of overhead costs of public services, or co-ordination of development policies." Unless the union is strong enough to adopt these measures and distribute the gains more evenly, its stability may be at stake.

Notes

1. For this see (1) Balassa, B., *The Theory of Economic Intergation*, London, 1962; 2. Balassa, B., "Types of Economic Intergation" in F.Machlup (ed.), *Economic Integration*, London, 1976; (3) Brown L.R., *World Without Borders*, New Delhi, 1972; (4) Cooper, R.N., World-wide Versus Regional Integration: Is there an optimum size of the Integrated Area" in F.Machlup (ed.), op. cit.; (5) Fukuda,H., *Britain in Europe : Impact on the Third World*, Suffolk, 1973; (6) Griffin, K., *Underdevelopment in Spanish America*, London, 1969; (7) Grunwald, I., et.al., *Latin American Economic Integration and U.S. Policy*, Washington, 1972; (8) Haas, E.B., "Regional Integration" in *International Encyclopedia of the Social Sciences*, Vol. 7; (9) Hicks, J.R., *Essays In World Economics*, Oxford, 1959; (10) Kojima, K., "Toward A Theory of Agreed Specialization : The Economics of Integration". W.A. Eltis, et al. (eds.), *Induction, Growth and Trade* (Essays in Honour of Sir Roy Harrod), Oxford, 1970; (11) Lipsey, R.G., "Economic Integration" in *International Encyclopedia of the Social Sciences*, Vol. 7; (12) Lizano, E., "Integration of Less Developed Areas and of Areas on Different Levels of Development" in F. Machlup (ed.), op. cit.; (13) G.M. Meier (ed.), *Leading Issues in Economic Development*, Hongkong, 1975 ("The Case for Regional Economic Integration—A Note"); (14) Patel, I.G., "Comments" on Lizano's paper in F. Machlup (ed.), op. cit.; (15) Robson, P., *Economic Integration in Africa*, London, 1968; (16) Scitovsky, T., *Economic Theory and Western European Integration*, London, 1962; (17) Tinbergen, J., *International Economic Integration*, Amsterdam, 1945; and (18) Wells, S.J., *International Economics*, London, 1969.
2. On this see (1) Industrial Development Bank of India, *Industry Potential Survey Report on Assam*, March, 1972; (2) Do, *Industrial Potential Survey Report on Bihar*, Bombay, December 1971; (3) Do, Industrial Potential Survey Report on Orissa, Bombay, March 1973; (4) *Memorandum to the Seventh Finance Commission* submitted by the Finance Department, Government of Bihar 1978; and (5) Government of Bihar, Planning Department, *Plan for 1978-83*.
3. For details, see the *Statistical Appendix* to this paper.
4. J.M. Kaul, "The Eastern Region: Problems and Prospects" in Advertisement Supplement to *Reader's Digest*, May 1979.
5. *ibid.*
6. Kaul, op. cit.
7. Kaul, op. cit.
8. J.M. Healey, *The Development of Social Overhead Capital in India 1950-60*. London, 1965.

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9. *ibid.*

10. J. Cutt, *Taxation and Economic Development in India*, New Delhi, 1969.

11. (1) J.N. Bhagwati and P. Desai, *India : Planning for Industrialization*, London, 1970; (2) K.N. Prasad, *The Economics of A Backward Region in A Backward Economy (A Case Study of Bihar in relation to other States of India)*, Calcutta, 1967-68; (3) K.N. Prasad, *Strategy of Industrial Dispersal and Decentralized Development (A Case Study of Bihar)*, New Delhi, 1973; and (4) K.N. Prasad, *Problems of Economic Development in the Third World*, Sterling Publishers (Pvt) Ltd, New Delhi, 1980.

12. (1) R.P. Misra, *et al.*, *Regional Planning and National Development*, New Delhi 1978 and (2) K.V. Sundaram, *Urban and Regional Planning in India*, Delhi, 1972.

13. R.P. Misra, *et al.* and K.V. Sundaram, op. cit.

14. Government of India, Planning Commission, *Five-Year Plan (First to Fifth)*, New Delhi.

15. *ibid.*

16. For this see (1) A.H. Hanson, *The Process of Planning*, Belfast, 1966; (2) Government of India, *Report of the States Reorganisation Commission*, 1955 and (3) Government of India, Planning Commission, *Economic Development in Different Regions in India*, New Delhi, August 1962.

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A Statistical Appendix

1	2	States				All-India
		Assam	*Bihar*	*Orissa*	*West Bengal*	
		3	4	5	6	7
1.	Area (in '000 Km)	79	174	156	88	3,288
2.	Population 1971 (in '000s)	14,625	56,353	21,945	44,312	5,48,160
3.	Per Capita Income (1975-76 in Rs.)	850	718	785	1,046	1,005
4.	Working Population as % of total of 1971	28.3	31.0	31.2	27.9	32.9
5.	Urban Population as % of total of 1971	8.9	10.0	8.4	24.7	19.9
6.	% Share in total Organised Sector employment in 1975-76	3.8	7.2	2.4	12.5	100.0
7.	Daily Factory Employment per 1000 population in June, 1975	4.2	5.3	3.2	17.6	9.5
8.	Gross Factory Output per capita (Rs.) 1974-75	241	253	167	605	445
9.	% Share in total Foodgrains production : average of 1973-76	2.1	7.7	4.5	7.5	100.0
10.	Irrigated area as % of cropped area in 1973-74	18.6	26.0	16.3	20.7	23.7

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1	2	3	4	5	6	7
11.	Fertiliser consumption per hectare of cropped area 1976-77 (Kg.)	1.3	14.5	8.5	20.4	20.4
12.	Electricity consumption per capita (KW) in 1975-76	26	62	88	113	101
13.	Motor Vehicles per 10,000 population (No. in 1974-75)	32.1	15.1	28.1	38.5	41.1
14.	Total Road length per 100 Km in 1974-75	40	69	37	64	36
15.	Hospital Beds per 10,000 population in 1973-74	3.5	3.5	4.0	7.6	5.8
16.	% of children in primary schools in 1974-75	71	54	75	80	83
17.	Daily Newspaper circulation per 1000 population in 1974	3.8	3.5	3.9	19.8	15.7
	Backward districts as % of total for the State					
18.	Area	77.4	47.2	61.0	82.2	71.3
19.	Population (1971)	75.6	55.0	48.0	68.4	59.0
	% distribution of households by monthly per capita expenditure 1973-74 (in Rs.)					

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1	2	3	4	5	6	7
	RURAL					
20.	0-21	0.7	4.2	7.6	1.2	3.7
21.	21-43	32.5	32.2	53.4	28.2	37.9
22.	43 & Above	66.8	63.6	39.0	70.6	58.4
	URBAN					
23.	0-21	0.4	0.6	0.9	0.5	0.9
24.	21-43	11.4	17.7	29.5	9.7	20.4
25.	43 & Above	88.2	81.7	69.6	89.8	78.7
	Population (mn) 1971					
26.	RURAL	13.6	50.7	20.1	33.3	438.9
27.	URBAN	1.3	5.6	1.9	11.0	109.1
	% of urban population in					
28.	Class-I Towns	9.8	45.4	32.5	70.3	52.4
29.	Class-II Towns	19.2	11.1	7.6	12.3	12.2
30.	Class-III Towns	27.3	24.0	29.4	9.8	17.4
	As % of All-India Production (Average of 1973-74 to 1975-76)					
31.	Rice	4.3	10.2	9.1	14.4	100.0
32.	Wheat	0.3	8.0	0.4	3.6	100.0
33.	Total Foodgrains	2.1	7.7	4.5	7.2	100.0
34.	Groundnut	—	0.1	2.4	—	100.0
35.	Sugarcane	1.1	3.6	1.9	4.1	100.0

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1	2	3	4	5	6	7
	Yield per hectare (Kg) Average of 1973-74 to 1975-76					
36.	Rice	994	865	874	1,192	1,149
37.	Wheat	1,214	1,285	1,582	2,015	1,309
38.	Groundnut	—	859	1,414	—	840
39.	Cotton	76	505	168	89	147
40.	Sugarcane	3,812	3,783	6,218	3,636	5,199
	Yield per hectare (Kg.) 1974-75					
	RICE					
41.	Irrigated	2,410	1,238	1,025	2,023	—
42.	Unirrigated	784	811	718	1,648	—
43.	% of net irrigated area by tanks (1971-72)	—	6.04	50.73	20.34	13.05
44.	% of net irrigated area by wells (1971-72)	–	24.41	—	—	38.07
45.	% of net irrigated area in the State (1971-72)	63.28	36.66	22.48	64.47	40.43
46.	Net irrrigated area as % of net sown area in the State (1972-73)	25.6	24.3	16.3	26.5	19.7
47.	% of total potential utilized through irrigation works in the State (1972-73)	27.3	25.0	27.5	34.9	40.1

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1	2	3	4	5	6	7
48.	Net Sown area as % of reporting area (1974-75)	28.51	48.78	39.37	62.60	46.28
49.	Forests as % of reporting area (1974-75)	26.48	16.89	32.00	12.43	21.54
	Area as % of all-India Area (1973-74)					
50.	Jute	18.04	15.63	7.06	55.73	100.00
	Production as % of all-India production (1973-74)					
51.	Jute	18.38	12.45	7.55	58.10	100.00
	Productivity (In Kg. per hectare) 1973-74					
52.	Jute	1,237	967	1,298	1,268	1,215
	Area as % of All-India area (1973-74)					
53.	Tea	51.97	—	—	24.57	100.00
54.	Dry Chillies	1.32	2.25	1.12	1.52	100.00
55.	Dry Ginger	—	—	8.05	7.21	100.00
	Production as % of All-India production (1973-74)					
56.	Tea	54.07	—	—	20.09	100.00
57.	Dry Chillies	1.24	2.80	0.81	1.97	100.00

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1	2	3	4	5	6	7
58.	Dry Ginger	—	—	5.20	4.99	100.00
	Area as % of All-India Area (1973-74)					
59.	Turmeric	—	10.47	17.84	—	100.00
	Production as % of All-India production (1973-74)					
60.	Turmeric	—	12.23	9.81	—	100.00
	Area as % of All-India Area (1973-74)					
61.	Tobacco	1.56	2.91	0.14	3.13	100.00
62.	Rapeseed & mustard	4.8	2.71	2.15	3.55	100.00
63.	Linseed & mustard	—	4.37	1.01	2.98	100.00
	Production as % of All-India production (1973-74)					
64.	Tobacco	1.13	1.13	0.12	2.26	100.00
65.	Rapeseed & mustard	5.31	2.54	2.54	2.60	100.00
66.	Linseed & mustard	—	5.53	1.70	2.97	100.00
	Productivity (in Kg. per hectare) (1973-74)					
67.	Tobacco	714	385	857	714	989
68.	Rapeseed & mustard	545	462	581	360	493
69.	Linseed & mustard	—	317	421	250	250

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1	2	3	4	5	6	7
70.	State Mineral Production as % of All-India Production (1972)	7.53	25.26	4.73	13.64	100.00
	Iron Ores (1975)					
71.	State Resources as % of All-India	—	20.55	29.60	—	100.00
72.	State Production as % of All-India	—	14.99	16.56	—	100.00
	Manganese Ore (1975)					
73.	State Reserves % of All-India	—	—	11.74	—	100.00
74.	Production as % of All-India	—	—	31.52	—	100.00
	State Production as % of All-India (1975)					
75.	Chromite	—	—	6.32	—	100.00
76.	Copper Ore	—	56.99	—	—	100.00
77.	Bauxite Ore	–	36.35	–	—	100.00
78.	Limestone	—	8.07	10.95	0.08	100.00
79.	Dolomite	—	—	48.24	1.64	100.00
	Coal (1975)					
80.	State Resources as % of All-India	—	43.51	6.32	24.23	100.00

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1	2	3	4	5	6	7
81.	State Production as % of All-India Production of refined Petroleum (1975) as % of All-India	—	41.12	2.18	23.73	100.00
82.	Public Sector	3.75	12.95	—	—	100.00
83.	Private Sector	2.57	—	—	—	100.00
84.	Sugar Production as % of All-India 1974-75	—	4.42	—	0.20	100.00
	Distribution of Cotton Mills (1973)					
85.	Number	—	5	5	43	—
86.	% of All-India spindlage	—	0.02	0.60	5.18	100.00
87.	% of All- India Loomage	—	0.09	0.38	4.75	100.00
88.	Silk Production (1971-72) as % of All-India	9.59	6.43	0.50	8.66	100.00
89.	Woollen Textile Mills (1974)	—	1	—	4	102.00

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1	2	3	4	5	6	7
90.	Woollen Spindlage as % of All-India	—	0.32	—	3.43	102.00
91.	Cement Production as % of All-India (1971)	—	12.13	4.37	—	100.00
92.	Paper & Paper Board Production as % of All-India (1972-73)	—	6.60	0.95	19.05	100.00
93.	Literate Population as % of total population (1971)	28.7	19.9	26.2	33.2	29.5
94.	No. of large-scale sick units (1977 December)	1	8	3	71	288
95.	Budgetary Provision for Education per head (1969-70) (in Rs)	13	8	9	12	—

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		States				All-India
		Assam (Meghalaya included)	*Bihar*	*Orissa*	*West Bengal*	
1	2	3	4	5	6	7
96.	Consumption of cereals per capita (1973-74) (in Kg.)	180	178	188	150	172
97.	Production of cereals per capita (1973-74) (in Kg.)	131	119	210	140	163

		States				All-India
		Assam	*Bihar*	*Orissa*	*West Bengal*	
1	2	3	4	5	6	7
	Consumption per capita per year (1973-74)					
	In Rural Areas					
98.	Rice	178	106	176	131	82
99.	Wheat	6	39	16	24	42
	In Urban Areas					
100.	Rice	132	91	135	78	65
101.	Wheat	15	57	24	51	52

Sources: 1. Tata Services Ltd., Department of Economics & Statistics, *Statistical Outline of India*, 1978.
2. *Data India (1979)*.
3. T.C. Sharma & O. Coutinho, *Economic and Commercial Geography of India*, New Delhi, 1977.

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10

Inter-State Variations in Indian Poverty and Unemployment

The Approach Paper on the Fifth Five-Year Plan does say that the size of the problem of poverty as well as the absolute number of the poor people in India varies from State to State. Regional balance is going to be one of the prime objectives of this Plan. Generalisations about a country of the size of India are inherently dangerous. There—are wide variations in the price level and the occupational structure in the country from region to region. Information on them would be necessary for chalking out a meaningful policy.[1] The cost of minimum living varies as between rural and urban areas of different States. The level of per capita consumer expenditure at which a dite with 2,250 calories is attained differs immensely from State to State, as *Table No. 1* (cols. 8 and 9) would show. This is partly due to differences in prices and partly due to differences in consumer preferences in the sense that consumers in some States seem to attach a higher priority to food than those in some other States.[2] The prevalence of disparities in living standards between the States has become a chief cause of social and political tension in India.[3] Indian economists who have studied this subject earlier[4] admit that there are "rings of poverty" in the country concentrated around "a solid core of destitution" (see *Table No. 2*). The per capita per month expenditure class Rs 0-11 denotes severe destitution in the rural, and the Rs 0-15 class denotes it in the urban areas. The Rs 0-13 class signifies destitution in the rural, and the Rs 0-18 class signifies it in the urban areas. The Rs 0—15 class suggests poverty in the rural, and the Rs 0-24 class suggests it in the urban areas. The figures belong to the year 1963-64. It is also clear that the incidence of abject poverty is not uniform all over the country. A very large chunk of the abysmally poor is concentrated in a few distinctly discernible regions, where the over-all pace of economic growth in the last couple of decades has not been fast enough to make an appreciable dent on the problem.

Inasmuch as poverty in India is usually attributed to a triad of

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causes, viz., overt or open unemployment (educated unemployment in the urban areas and seasonal unemployment in the rural), underemployment (mainly in agriculture and rural industry) and low resource-base,[5] it would be fruitful to go into these aspects. *Table Nos. 3, 4, 5* (especially cols. 6 to 9), 6, 7 (particularly col. 5), 8 (especially cols. 4 and 5) and 9 would be of considerable interest in this context. Considering these, it would be expedient to realise like the authors of the Second Five-Year Plan[6] that "the creation of employment opportunities and reduction in underemployment cannot be approached merely in over-all terms. The problem needs to be broken up in terms of sectors, regions and classes." It would be useful to know in what regions underemployment is most severe.[7] Underemployment often varies markedly in different localities with variations in the intensity of production, the fertility of the soil, the types of farming practised, the density of population, and other conditioning factors.[8] *Table Nos. 10 and 11* can profitably be consulted about this. Also, the incidence of chronic underemployment spreads widely over the bulk of the population instead of being concentrated among a relatively limited number of workers. Off-season agricultural unemployment is said to be concentrated in the Eastern and Southern regions.[9] Rural unemployment is much less pronounced in Punjab and Gujarat because their rural economy is more diversified and because they have to encounter less population pressure than Bihar, Kerala and Karnataka, for example. Another notable fact is that the number and timing of the peak seasons "probably" varies from region to region depending on the crop-pattern and the frequency of cropping.[10]

So far as urban unemployment (shown by the number of registered applicants) is concerned, it has been pointed out by an analyst[11] that unemployment is higher in those States which have either a higher density of population, or which have a higher percentage of working force, or which have a higher literacy rate, or a higher urban-rural ratio of population (*Table Nos. 3, 4, 10 and 11* will be relevant in this respect). Evidently, the incidence of unemployment is higher in the urban areas than in the rural, on account of the increasing over-flow of the rural unemployed poor into the former. Although there are wide variations in unemployment between States, yet in terms of broad regions the South is most afflicted with uneducated unemployment. The Eastern States too have serious problems. By contrast, unemployment of the educated is much more critical in the East than anywhere else.[12] Relative to other parts of the country, urban male unemployment is very high in Kerala, Tamil Nadu and West Bengal. Female unemployment rates appear to be highly correlated with the male rates.[13] According to another recent study, the incidence of professional and technical unemployment is higher in comparatively less industrialised States, such as Punjab, Haryana, Rajasthan and Kerala. One patent reason for this is that more engineers, technicians and others are being trained in these States

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than can be absorbed. The educated unemployed looking for administrative, executive and managerial jobs form a negligible proportion of the total number of job seekers. Similar is the case with those who want openings in agriculture, dairy farming, and so on. Unemployment among skilled hands in transport and communications predominates in States which lack surface roads. Unemployment among craftsmen and production process workers varies from State to State depending upon the institutional structure of the economy. Unskilled workers, who generally constitute non-competing groups, tend to move from the less to the more prosperous States. It is they who form the major portion of the registered unemployed and they anxiously wait for manual work.[14]

The data compiled by the Agricultural Labour Enquiry Committee (1950-51) showed that the incidence of unemployment was much heavier in the relatively prosperous States like Punjab and West Bengal and was much lighter in the less prosperous ones like Bihar and Uttar Pradesh (see *Table No. 5*). Basing his inference on these data an authority[15] remarks, "This clearly means that those who are poor cannot afford to remain unemployed." As another authority puts it, "Open unemployment may be luxury that only persons in richer countries, and relatively better-off persons in poorer countries, can afford : the very poor are forced to take lower-paying jobs, including setting up of household enterprises, rather than waiting for something better to come along."[16] In our country wage-paid employment is more extensive in States with higher per capita incomes and higher degrees of commercialisation than in those with relatively lower per capita incomes and lower degrees of commercialisation.[17] But the first authority forgets that the 1950-51 intensive agricultural labour enquiry was held immediately after the partition of the country and the Hindus and the Sikhs uprooted from West Punjab and East Bengal (as the case may be) had come to (East) Punjab and West Bengal respectively as refugees and naturally they were more concerned to return themselves as unemployed than the rural folk in Bihar and other States mentioned by the authority in question, who had not been affected by this epoch-making event. Besides, the break-up of the erstwhile joint family system under the impact of greater literacy and modernity in Punjab and West Bengal has been on a larger scale than in Bihar and Uttar Pradesh. In consequence, the lack of employment opportunities is reflected pre-eminently in underemployment or disguised unemployment in these States. The joint family system furnished to the people who were jobless a modicum of social security against unemployment, howsoever inadequate or insubstantial. Greater dissemination of education and land reform and greater natural desire on the part of the youth for an independent means of living in Punjab and West Bengal than in Bihar and Uttar Pradesh, was responsible for an increased tendency towards seeking wage-employment in the former than in the latter, as was recorded by the All-India Agricultural Labour Enquiry team. Actually, it

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would be illusory to contend as the first authority has done that there are no low-wage pockets in the more prosperous States.[18]

Were we to examine *Table Nos. 1 and 6* together, we would notice that the States with a higher incidence of rural labour are also generally those with larger percentages of the rural populations living below the minimum consumption level.[19] An outstanding finding of Malenbaum was that very low incomes were to be found at the extreme, among the families relying almost totally upon monetised transactions as well as among those which were essentially self-sufficient.[20] The peak or summit levels of consumption and investment per capita were found in families where barter and production for direct use accounted for 40 to 50 per cent of all economic transactions.

Unemployment and low income are closely related.[21] Low standard of living is the outcome of low per capita income. In cases where we have no registered statistics of unemployment (for example, in agriculture) income is a far better measure than the rate of employment. Poverty and under-and un-employment are inextricably bound up in India.[22] The estimates of the magnitudes of unemployment provide a striking indication of those of suffering and deprivation in the country.[23] The unemployment problem is to be appraised as a problem of poverty, a manifestation of general underdevelopment. Even in the advanced countries unemployment was long before recognised as "one of the most fruitful causes of indigency of a permanent and hopeless kind."[24] Since unemployment implies loss of income, the pockets of poverty and those of unemployment generally co-exist. In other words, unemployment and underemployment are concentrated in the poverty-stricken areas. The under-and un-employed sections of our society are the poorest sections of it. The problem of the poor in India is an unemployment problem in an important sense. Conversely, the unemployment problem is plainly and simply a low-end poverty problem.[25] The reasons that explain why the non-viable and sub-marginal farmers, the artisans engaged in traditional crafts, the landless agricultural labourers, the share-croppers, oral tenants, etc., are unemployed are the very same reasons as explain why they are so poor. Widespread unemployment and poverty are different facets of the same phenomenon, namely, underdevelopment.[26] The term "underdeveloped" is a euphemism for the term "poor".[27] Underdevelopment does not simply mean backwardness; it means general and increasing poverty. Heavy population pressure resulting in very low per head availability of land, a constant dent in the per capita share in the means of subsistence, high dependency, mounting indebtedness and resulting landlessness, inability of small landholders to fully employ even the members of their own families, a slow and tardy rate of growth reflecting low savings, a low complementary resource-base and consequent low productivity of labour, a low participation rate of the population, preponderance of extremely low-paid, unproductive, blind-alley occupations for want of education (general and

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technical) account for both poverty and unemployment. Generally, the extent of poverty and unemployment of a State is directly correlated with the intensity and the multiplicity of these factors. With every increase in unemployment the absolute level of poverty is further increased.[28] The solution for joblessness requires first that there be progress towards relieving poverty, for only a much higher level of per capita incomes can offer a real hope of additional jobs. On the other hand, with factor endowments in India and the imminent backlog of unemployment it is doubtful if such progress in income can be made under a system of general consent without simultaneous or prior progress on the employment front. This is indicative of the interaction between unemployment and poverty and their connection with underdevelopment.[29]

Table No. 7 (cols. 7 and 8) is suggestive of the fact that with a relatively faster rate of growth a State which is at present less prosperous than another State can, after a time, far surpass the latter which is developing at a slower rate. Punjab, as contrasted with West Bengal, is a burning example. Bihar and Uttar Pradesh, which start at the bottom, get gradually worse off owing to their pitifully low rates of growth.[30]

Percentages are unquestionably a valuable aid to the clearer perception of the spatial or regional dimensions of the poverty and unemployment problem in India. But for the purposes of objective and concrete planning absolute numbers are far more helpful because it is in their perspective that we can identify the areas or zones of concentrations of poverty and unemployment and tide over the difficulty of substantiating our proposition of the juxtaposition or symbiosis of poverty, unemployment and underdevelopment when confronted with the few conundrums which analysis in terms of percentages or ratios is apt to present. But this theoretical constraint apart, the imperfections of the data on which the studies are based cannot tacitly be assumed away. Thus the NSS data are derived from "woefully small samples". Per capita GNP is the "average of all averages". It does not even reflect "the true development potential" built up in the economy, particularly in the fields of infrastructure facilities and services.[31] As an economist has put it, "It is like a bikini—what it reveals is interesting but what it conceals is significant."[32] The estimates of rural unemployment based on the agricultural labour enquiries and those of the backlog of rural and urban unemployment are beset with serious limitations and are very rough.[33] The "regional heterogeneity" prevailing in India renders many concepts, such as an all-India average cereal basket meaningless when applied in the delineation of regional variations, the central theme of this paper.[34]

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TABLE 1

State	Per Capita Total Annual Consumption Expenditure (Rs)		Total Calorie Equivalent of Daily Diet		Percentage of Population (Rural/Urban) lying below the Minimum Consumption Level		Monthly Per Capita Expenditure Class in which a Diet with 2,250 Calories is reached (Rs)		Percentage of Population below the Poverty line		Density of the poor
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	1960-61	1967-68	
1	2	3	4	5	6	7	8	9	10	11	12
Andhra Pradesh	236	273	2,355	2,436	62.14	58.11	18-21	21-24	47	39	11.4
Assam	233	271	2,260	2,213	47.67	23.37	18-21	21-24	14	21 to 32	1.4
Bihar	169	238	2,198	2,365	37.38	41.28	13-15	18-21	38	61 to 71	10.8
Gujarat	164	315	2,222	2,187	19.09	50.50	13-15	24-28	25 to 37	48	8.6
Jammu & Kashmir	165	239	2,380	2,250	13.69	42.30	13-15	18-21	8	12	—
Kerala	464	617	3,007	2,672	90.75	88.89	34-43	43-55	42	49	13.9
Madhya Pradesh	147	271	2,475	2,568	25.79	51.62	11-13	21-24	36 to 47	61	13.5
Maharashtra	238	370	2,303	2,226	61.04	58.18	18-21	28-34	40	56	8.6
Karnataka	172	275	2,238	2,273	26.92	57.39	13-15	21-24	34	48	10.9

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1	2	3	4	5	6	7	8	9	10	11	12
Orissa	167	310	2,342	2,293	43.88	35.57	13-15	24-28	56	64	14.9
Punjab (including Haryana)	165	271	2,402	2,128	13.98	52.09	13-15	21-24	18	28 to 32	3.4
Rajasthan	120	202	2,495	2,343	13.29	21.84	8-11	15-18	33	37	10.4
Tamil Nadu	235	374	2,321	2,196	55.19	70.78	18-21	28-34	51	59	9.1
Uttar Pradesh	146	220	2,237	2,294	18.13	37.65	11-13	15-18	39	61	12.4
West Bengal	199	374	2,233	2,313	44.09	48.53	15-18	28-34	22 to 42	61 to 74	4.0
All-India	170	274	2,194	2,159	30.92	46.50	13-15	21-24	38	53	—
Total	—	—	—	—	38.00	54.00	—	—	—	—	—

Sources : (1) V.M. Dandekar & N. Rath, *Poverty in India*, Bombay, 1971.

(2) M. Mukherjee, M. Bhattacharya and G.S. Chatterjee's paper in *Commerce*, August 14, 1972 for figures in cols. (10) to (12).

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TABLE 2

State	Severe Destitution		Destitution				
	Population (Million)	Per cent	Rural			Urban	
			Population ('000s)	No. of Destitutes ('000s)	%	Population ('000s)	No. of Destitutes ('000s)
1	2	3	4	5	6	7	8
Andhra Pradesh	5.9	15.5	31,197	7,993	25.62	6,648	2,055
Assam	0.2	1.5	11,763	460	3.91	966	—
Bihar	6.5	13.3	45,044	10,103	22.43	4,083	1,369
Gujarat	2.4	11.0	16,382	2,947	17.99	5,802	930
Haryana							
Jammu and Kashmir	0.1	2.4	3,075	172	5.59	623	109
Kerala	3.7	18.8	15,263	4,335	28.40	2,737	1,132
Madhya Pradesh	5.4	15.7	29,496	7,106	24.09	4,956	1,617
Tamil Nadu	4.4	12.4	25,775	4,464	19.26	9,569	2,372
Maharashtra	5.2	12.3	30,253	6,982	23.08	12,117	2,689
Mysore (Karnataka)	4.2	16.8	19,410	5,012	25.82	5,661	2,361
Orissa	3.3	18.0	17,371	4,911	28.27	1,138	271
Punjab (including Haryana)	1.9	8.8	17,485	2,072	11.85	4,462	1,112
Rajasthan	2.9	13.2	18,103	3,818	21.09	3,561	1,024
Uttar Pradesh	13.3	17.0	67,969	16,904	24.87	10,016	3,898
West Bengal	2.2	5.9	28,216	3,657	12.96	9,299	1,294
All-India	61.7	13.2	3,82,020	81,783	21.41	84,880	22,647

Sources : (1) for columns (2) to (14) Da Costa's article in A.J. Fonseca, *Challenge of Poverty in India*, Delhi, 1971.

(2) for columns (15) and (16) FICCI, op. cit. Those who do not consume 2250 calories a day are taken to be below the line.

(*Gontd.*)

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		Poverty		Total population (million) (1963-64)	Per capita monthly expenditure (Rs) (1963-64)	Population below poverty line (1971) (million)	% of population below poverty line
%	Total %	Population (million)	%				
9	10	11	12	13	14	15	16
30.91	26.55	15.8	41.8	37.8	22.03	17.9	42.3
—	3.91	1.1	9.0	12.7	27.96	6.2	40.6
33.54	23.35	17.4	35.3	49.1	22.02	27.0	49.4
16.03	17.48	6.9	31.2	22.2	25.39	8.5	33.3
						2.4	25.6
17.46	7.60	0.6	15.4	3.7	28.52	2.0	44.6
41.35	30.37	8.0	44.4	18.0	21.41	7.8	37.9
32.62	25.32	12.8	37.1	34.5	24.31	18.0	44.9
24.79	20.76	12.4	34.9	35.3	25.38	16.1	40.4
22.19	22.83	15.2	35.9	42.4	26.16	16.2	33.5
41.71	29.41	11.0	44.0	25.1	21.66	11.7	41.3
23.77	27.99	7.6	40.8	18.5	20.11	13.4	64.7
24.92	14.51	4.8	22.1	21.9	29.81	2.7 (excluding Haryana	20.8
28.75	22.35	7.4	34.2	21.7	24.68	11.3	45.6
38.92	26.67	30.4	39.1	78.0	22.32	38.6	44.8
13.96	13.21	8.5	22.9	37.5	28.13	15.0	34.9
26.68	22.37	161.6	34.6	466.9	24.25	218.3	41.2

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TABLE 3

State	*Year : 1970 Total No. of Applicants for jobs*	*Year : 1970 Percentage share of the State*	*Percentage Rise in Employment and Unemployment during 1961-66*	
			Employment	*Unemployment*
1	2	3	4	5
Andhra Pradesh	2,16,254	6.9	25.4	31.4
Assam	55,358	1.7	0.0	145.0
Bihar	2,87,742	9.2	12.4	126.5
Gujarat	1,28,658	4.0	16.7	39.0
Haryana	59,040	1.8	—	—
Jammu & Kashmir	8,022	0.2	—	—
Kerala	2,41,331	7.6	35.9	3.0
Madhya Pradesh	1,98,492	6.2	19.0	169.0
Maharashtra	3,02,030	9.5	40.1	64.8
Mysore (Karnataka)	2,10,799	6.6	43.2	98.5
Orissa	1,22,560	3.7	14.7	82.2
Punjab	83,811	2.6	47.7	54.1
Rajasthan	82,677	2.5	—	—
Tamil Nadu	3,52,371	11.2	19.6	51.5
Uttar Pradesh	3,19,666	10.2	25.9	39.7
West Bengal	4,96,475	16.1	32.9	61.4

Source : Directorate of Employment & Training, *Employment Review*.

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TABLE 4

State	Percentage of Unemployed Persons to Total Population			
	Rural Census 1961	*Urban Census 1961*	*Urban NSS 1964-65*	*Urban NSS 1963-64*
1	2	3	4	5
Andhra Pradesh	0.07	0.60	0.45	0.52
Assam	0.34	0.55	0.42	0.38
Bihar	0.10	0.77	—	—
Gujarat	0.13	0.88	0.31	—
Jammu & Kashmir	0.13	0.67	0.30	0.20
Kerala	0.89	1.76	1.94	1.67
Madhya Pradesh	0.03	0.37	0.37	0.40
Tamil Nadu	0.17	1.13	1.22	0.86
Maharashtra	0.13	1.27	0.53	0.66
Mysore (Karnataka)	0.05	0.68	0.44	0.53
Orissa	0.08	0.54	0.44	0.36
Punjab	0.22	0.68	0.77	0.21
Rajasthan	0.04	0.34	0.40	0.42
Uttar Pradesh	0.06	0.51	0.26	0.36
West Bengal	0.58	2.62	0.92	0.76
Himachal Pradesh	0.08	0.50	—	0.25
Manipur	0.10	1.43	0.93	0.37
Tripura	0.16	0.94	1.19	1.06

Sources : (1) Census Report for 1961 data.
(2) NSS data for the rest.

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TABLE 5

State	Income Per Agricultural Worker (Rs)		Wages Per Day (N.P.)		Unemployment of Male Agricultural Workers (No. of Days in a Year)			
					1950-51		1956-57	
	1950-51	1956-57	1950-51	1956-57	Casual	Attached	Casual	Attached
1	2	3	4	5	6	7	8	9
Andhra Pradesh	88.6	104.4	54	57	132	8	126	12
Assam	164.6	185.9	97	87	71	12	94	67
Bihar	118.9	88.3	190	154	85	21	120	119
Bombay	94.3	101.0	126	91	137	12	113	38
Kerala	105.7	85.9	126	128	125	138	170	145
Madhya Pradesh	85.0	80.9	79	76	77	12	117	45
Tamil Nadu	88.3	92.0	97	84	107	24	162	68
Mysore (Karnataka)	88.2	108.0	90	84	98	38	118	79
Orissa	79.1	76.5	72	80	53	7	135	43
Punjab	140.0	131.8	184	198	155	41	150	32
Rajasthan	137.5	76.6	123	98	99	19	138	39
Uttar Pradesh	131.2	80.9	118	92	48	11	124	69
West Bengal	152.0	153.9	166	143	93	17	113	47
All-India	104.0	99.4	109	96	90	19	128	68

Sources : (1) Government of India, *Reports* of the Agricultural Labour Enquiry Committees 1950-51 & 1956-57.

(2) K. N. Prasad, *The Economics of A Backward Region in A Backward Economy*, Scientific Book Agency, Calcutta-1, 1967-68.

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TABLE 6

State	*Percentage of Working force in agriculture and other related activities (1960-61)*	*Total Rural Working force (1961) ('000s)*	*Cultivators of 0-5 acres (1961) ('000s)*	*Agricultural Workers (1961) ('000s)*	*Workers in traditionally poor occupations (1961) ('000s)*	*Number of Workers classified as poor (1961) ('000s)*	*Rural Poor as % of total rural working force (1961)*
1	2	3	4	5	6	7	8
Andhra Pradesh	73.3	16,404	3,708	5,141	1,541	10,394	69.7
Assam	78.3	4,800	2,054	186	664	2,904	58.3
Bihar	79.4	17,934	6,663	4,371	1,248	12,282	73.0
Gujarat	72.0	6,887	1,273	1,219	402	2,894	45.7
Jammu & Kashmir	80.8	1,345	783	17	50	850	58.5
Kerala	46.8	4,875	1,030	948	1,237	3,215	69.1
Madhya Pradesh	82.0	15,313	3,083	2,778	942	6,803	47.0
Tamil Nadu	63.5	12,258	4,186	2,673	1,675	8,534	74.9
Maharashtra	72.3	14,882	2,628	4,308	706	7,642	56.9
Mysore (Karnataka)	75.0	8,933	2,013	1,655	798	4,466	56.3
Orissa	76.2	7,245	2,519	1,294	814	4,627	67.8
Punjab	66.7	5,867	724	525	589	1,838	33.6
Rajasthan	81.9	8,592	1,787	380	548	2,715	33.1

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1	2	3	4	5	6	7	8
Uttar Pradesh	76.9	25,916	11,219	3,227	1,739	16,185	75.1
West Bengal	57.8	8,620	2,876	1,765	854	5,495	69.1
All-India	69.5	162,246	47,966	30,603	13,994	92,563	61.5

Sources : (1) K. N, Prasad, *The Economics of A Backward Region in A Backward Economy*, Scientific Book Agency, Calcutta-1, 1967-68.

(2) T. Singh, *Poverty and Social Changes*, Delhi, 1969 (2nd Ed.).

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TABLE 7

State	*Compound Rate of growth of Agricultural Production 1952-53 to 1964-65 (% p.a.)*	*Compound Rate of growth of area under crops 1952-53 to 1964-65 (% p.a.)*	*Compound Rate of growth of Agricultural Productivity 1952-53 to 1964-65 (% p.a.)*	*No. of Persons per hectare of cultivated area (1952-53)*	*Compound Rate of growth of population 1951-61 (% p.a.)*	*Per Capita income (Rs) (1967-68)*	*Average annual growth rate of real income since 1960 (approx.)*
1	2	3	4	5	6	7	8
Andhra Pradesh	2.71	0.26	2.45	2.3	1.49	570	3
Assam	1.17	1.25	(—) 0.08	4.1	3.27	539	2
Bihar	2.97	0.71	2.25	4.1	2.04	391	1.5
Gujarat	4.55	0.45	4.09	1.8	2.56	816	4
Kerala	2.27	1.30	0.96	7.9	2.24	567	2
Madhya Pradesh	2.49	1.28	1.21	1.8	2.53	517	2
Maharashtra	2.93	0.44	2.45	1.8	2.18	801	1
Mysore (Karnataka)	3.54	0.81	2.71	1.9	1.97	629	4
Orissa	2.48	0.81	1.66	2.3	2.15	498	2
Punjab (including Haryana)	4.56	1.90	2.61	2.2	2.40		
Rajasthan	2.74	2.85	(—) 0.11	1.4	2.58	530	3

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1	2	3	4	5	6	7	8
Tamil Nadu (Madras)	4.17	1.10	3.04	4.7	1.05	661	3
Uttar Pradesh	1.66	0.72	0.94	3.9	1.67	491	0.5
West Bengal	1.94	0,59	1.94	3.3	3.01	752	0
All-India	3.01	1.21	1.77		2.09		

Sources : (1) Cols. (2) to (4) from the *Fourth Five-Year Plan.*

(2) Cols. (5) & (6) from S.R. Sen, *The Strategy for Agricultural Development*, Bombay, 1966 (2nd Ed.).

(3) Cols. (7) & (8) from J.R. Hick's paper in A.J. Fonseca (ed.), op. cit.

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TABLE 8

State	Agricultural Labour Households as percentage of Total Rural Households		Percentage of Rural Labour 1963-64 Households		
	1950-51	1956-57	With Land	Without Land	Total
1	2	3	4	5	6
Andhra Pradesh	50.91	33.59	10.05	24.69	34.74
Assam	10.53	18.18	6.74	9.18	15.92
Bihar	40.63	29.55	15.94	16.94	32.88
Bombay	28.99	26.03	—	—	—
Kerala	38.10	22 73	24.83	11.87	36.70
Madhya Pradesh	28.26	24.53	10.76	11.84	22.60
Madras (Tamil Nadu)	55.10	36.54	10.33	25.98	36.31
Mysore (Karnataka)	37.93	27.27	7.43	16.13	23.56
Orissa	42.86	29.41	12.60	17.15	29.75
Punjab	11.54	9.38	2.38	13.45	15.83
Rajasthan	7.69	6.90	5.38	6.40	11.76
Uttar Pradesh	14.41	17.24	7.70	7.50	15.20
West Bengal	25.58	25.00	12.87	20.95	33.82
Jammu & Kashmir	—	—	1.25	1.25	2.50

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1	2	3	4	5	6
Gujarat	—	—	2.46	17.33	19.79
Maharashtra	—	—	8.67	21.33	30.00
All-India	30.39	24.47	9.99 (Rural)	15.54 (Rural)	25.53 (Rural)
			8.12 (Agricultural)	12.79 (Agricultural)	20.91 (Agricultural)

Sources : (1) K.N. Prasad, *The Economics of A Backward Region in A Backward Economy*, Scientific Book Agency, Calcutta-1, 1967-68.

(2) V.M. Dandekar & N. Rath, *Poverty in India*, Bombay, 1971.

(3) Government of India, *Reports* of the Agricultural Labour Enquiry Committees 1950-51 & 1955-56.

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TABLE 9

State	Percentage of Literacy (1961)	Net Irrigated area per cultivator (hectare)	No. of Hospital beds per 10,000 of population (1968)	Scheduled Tribes population (1968) (million)	Railways per 100 sq. kms. (1967)	Surfaced Roads per 100 sq. kms. (1967)	Percentage of electrified villages (1969)
1	2	3	4	5	6	7	8
Andhra Pradesh	21.2	0.40	6.1	1.3	17	10	20.3
Assam	27.4	0.18	3.8	2.1	18	4	1.5
Bihar	18.4	0.79	3.1	4.2	30	8	8.8
Gujarat	30.5	0.79	4.3	2.8	29	8	15.5
Haryana		0.70	4.3	—	32	13	22.0
Jammu & Kashmir	11.0	0.25	10.2	—	—	1	10.4
Kerala	46.8	0.31	9.9	0.2	23	50	72.1
Madhya Pradesh	71.1	0.09	3.8	6.7	12	6	3.9
Maharashtra	29.8	0.14	7.9	2.4	17	10	22.4
Mysore (Karnataka)	25.4	0.17	8.1	0.2	14	18	23.2
Nagaland	17.9	0.06	17.5	0.3	1	2	3.3
Orissa	21.7	0.22	3.6	4.2	11	6	1.8
Punjab	24.2	1.41	6.6	—	42	12	37.0
Rajasthan	15.2	0.25	5.2	2.4	16	5	6.3
Tamil Nadu (Madras)	31.4	0.37	6.9	0.2	28	31	62.0
Uttar Pradesh	17.6	0.32	4.1	—	29	9	11.4
West Bengal	29.3	0.32	8.7	2.1	35	18	6.3

Sources : (1) Government of India, Ministry of Finance, *India*, 1969.

(2) K.N. Prasad, *The Economics of A Backward Region in A Backward Economy*, Scientific Book Agency, Calcutta-1, 1967-68.

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TABLE 10

State	*Per Capita Income at current prices (1960-61) (Rs)*	*Per Capita Income at Current prices (Rs) (1964-65)*	*Net Agricultural Output per worker (1960-61) (Rs)*	*Net Output (All) per worker (1960-61) (Rs)*	*Per Capita Income (1969-70) (Rs) at (1960-61) prices*
1	2	3	4	5	6
Andhra Pradesh	287.01	438	365	553.37	545
Assam	333.34	441	620	770.43	588
Bihar	220.69	229	302	553.02	405
Gujarat	393.39	523	578	957.75	746
Haryana	—	504	—	—	903
Jammu & Kashmir	—	341	395	675.33	502
Kerala	314.86	393	1,159	945.36	645
Madhya Pradesh	285.35	373	360	545.65	498
Madras (Tamil Nadu)	334.09	434	530	733.09	593
Maharashtra	468.54	526	467	978.12	739
Mysore (Karnataka)	—	420	476	670.08	569
Orissa	276.22	347	488	632.65	546
Punjab	451.31	575	861	1,290.64	1,002
Rajasthan	267.43	356	343	562.43	479
Uttar Pradesh	298.00	374	479	760.09	495
West Bengal	464.62	498	824	1,401.31	705
All-India	334.54	319.3	477	778.25	589

Sources : (1) Government of India, Ministry of Finance, *India*, 1969.

(2) FICCI, *Planning for Results*, New Delhi, 1972.

(3) K.N. Prasad, *The Economics of A Backward Region in A Backward Economy*, Scientific Book Agency, Calcutta-1, 1967-68.

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TABLE 11

State	*Population (1971 census) (millions)*	*Population (1961 census) (millions)*	*Density of population (1961) (persons per sq. kms.)*	*Percentage of rural population (1961)*	*Percentage of (1961) workers*	*Percentage of factory workers to total population (1966)*
1	2	3	4	5	6	7
Andhra Pradesh	42.2	36.0	131	82.6	51.9	0.64
Assam	15.2	12.2	60	92.5	43.3	0.59
Bihar	54.7	46.5	267	91.6	41.4	0.45
Gujarat	25.7	20.6	110	74.2	41.1	1.73
Haryana	9.6	7.6	172	82.8	37.9	0.81
Himachal Pradesh	3.3	—	—	—	—	—
Jammu & Kashmir	4.4	3.6	—	83.3	42.8	0.24
Kerala	20.6	16.9	435	84.9	33.3	1.04
Madhya Pradesh	40.1	32.4	73	85.7	52.3	0.57
Maharashtra	48.5	39.6	129	71.8	47.9	2.07
Manipur	1.0	—	—	—	—	—
Mysore (Karnataka)	28.3	23.6	123	77,7	45.5	0.90

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1	2	3	4	5	6	7
Nagaland	0.5	—	22	94.8	59.4	—
Orissa	21.2	17.5	113	93.7	43.7	0.34
Punjab	13.1	11.1	220	76.9	31.1	0.79
Rajasthan	24.8	20.2	50	83.7	47.5	0.33
Tamil Nadu (Madras)	39.9	33.7	259	73.3	45.6	1.10
Tripura	1.5	—	—	—	—	—
Uttar Pradesh	86.0	73.7	251	87.1	39.1	0.50
West Bengal	42.9	34.9	398	75.5	33.2	2.17
All-India	529.5	439.1	134	82.0	43.0	0.94

Sources : (1) Figures in Col. (2) from FICCI, *Planning for Results*, New Delhi, 1972.
(2) Figures in Cols. (3) to (7) from Government of India, Ministry of Finance, *India*, 1969.

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11

Regional Unemployment in a Developing Economy

There are four objectives of this chapter. The first objective is to stress the fact that for tackling the problem of unemployment more effectively we need to adopt a regional approach alongside of the aggregative or national approach so that necessary adjustments are made in the unemployment policy in the light of the characteristics of the individual regions. This is discussed in Section I. The second objective is to highlight the two obvious facts, not duly appreciated in the current literature: one, that rising national wealth and an increasing volume of aggregate national employment are no guarantee that the regional pockets of unemployment would be eliminated automatically, and the other, that in most countries, whether developed or developing, the problems of poverty, unemployment and low productivity are all intertwined so much so that the factors which lie behind any one of them also lie behind the others. This is examined in Section II. The third objective is to discover how far the case for eradication of regional (or local) unemployment can be regarded as part of a general policy for economic growth, both regional and national, without introducing special welfare considerations. This is investigated in Section III. The fourth and last objective is to suggest that in chalking out a detailed programme of social action a suitable balance has to be struck between the 'work to the workers' policy and the 'workers to the work' policy and productive employment opportunities have to be created accordingly. This is the subject-matter of Section IV.

I

In Great Britain and France regions appeared at first as "local spots of unemployment within the national economic space" and regional life was not conceived of "as a polarised, integrated whole but as a homogeneous, discontinuous space characterized by a high unemployment index—a depressed area."[1] In Great Britain unemployment has been "the traditional yardstick for measuring the

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severity of the regional problem". It was the prevalence of unemployment that brought the British regional policy into being. In that country the labour market policy has been concerned largely with the mopping up of unemployment and underemployment in the development areas, formerly known as the depressed areas, by evening out the different parts of the labour market both geographically and occupationally. Its function can roughly be described as a continuous striving for the elimination of unemployment and for satisfying the demand for labour by promoting adjustment between sections of over-supply and sections of over-demand.[2]

There is ample evidence to support our contention that the authors of India's developmental planning are not unaware of the significance of this dual approach. During the Third Plan it was recognised that instead of analysing the problem of unemployment in terms of the country as a whole or in relation to larger territories, such as States, it would be possible to make a greater impact on the problem if the problem in each State was broken up by districts, and that as much of it was tackled directly as possible with the help of the district and the block plans.[3] The Fourth Plan proposed comprehensive action "through regional and local planning" to help the very large numbers of the smaller and weaker producers and to "increase immediate employment and future employment potentials."[4] Emphasis was to be laid on such positive sources of assistance to those who were technologically unemployed as assured "appropriate location and continuous progress."[5]

The Committee of Experts on Unemployment Estimates appointed by the Planning Commission expressed the view that the various estimates of unemployment would be more meaningful for analysis and public policy, and at the same time, would be more reliable if distinctions were made in the demand and supply of labour in terms of their location (State or Zone), rural-urban residence, household and wage employment, etc. It suggested that an attempt should be made to identify the demand likely to be generated in the various regions for different categories of labour as a result of various developments envisaged under the Plans.[6]

An over-all national estimate of the employment and unemployment rates often fails to disclose the true character of manpower problems, especially in specific local labour markets. The term local or regional unemployment involves essentially a reference to a local or regional market. According to a study on the subject, the complex of economic and social factors affecting and shaping employer-employee job relationships within a given geographical area constitutes the focus in the analysis of unemployment trends by locality. Such an analysis must proceed from a determination of the local geographical unit, which comprises the local labour market. A local labour market area may be defined as "a geographical area in which workers can generally change jobs without changing their residence".

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The decisive factor in this definition is, of course, the relationship between the place of residence and the place of work of the local labour supply.[7] In the Indian context a district can be taken to be equivalent to a local or regional labour market. In advanced countries, notwithstanding the volume of inter-area migration, it is still correct that for most occupations and industries as well as for employers and employees the labour market has relatively narrow geographical limits. Typically, workers seek jobs and employers recruit workers in the local area which has a composite of employing establishments as labour demand points and worker residential sector as labour supply points.[8] But the study of the local labour market is ordinarily obstructed by the dearth of relevant data. Even where such data are available by locality, they often lack comparability over a span of years. This difficulty is aggravated when one concentrates on the problem of unemployment by locality or region.

In India the regional rates of unemployment and underemployment are not apparently at some critical level well above the national rates. Both unemployment and underemployment are very widespread in India such that it is obtrusively difficult to locate or to identify their pockets, which are pockets in the true sense of the term. By comparison, in the advanced countries the pockets of unemployment and underemployment are fewer in number and are more concentrated. In India the rural base is so much larger that the sheer magnitudes of rural poverty, unemployment and underemployment overshadow their urban counterparts. The picture is reversed in the case of the advanced countries.

Even so, at the existing levels of technique, surplus agricultural labour in India tends to vary markedly from region to region. In some regions, where more favourable economic conditions obtain, there is no chronic redundance of agricultural labour. The proportion of agricultural labour to total rural population varies in India from 10 per cent in North-West India to 50 per cent in South India. Surplus agricultural labour appears to be concentrated in certain States, viz., Bihar, Orissa and in most of the States of Central and South India. The Second All-India Agricultural Labour Enquiry revealed regional variations in the supply of agricultural labour as reflected in the daily wage rates for the male agricultural labourers during the peak agricultural season: Rs. 3.25 for the Amritsar and Ferozepur districts in Punjab and Rs. 1.01 for the Coimbatore and Salem districts of Madras (now Tamil Nadu). The rise in the wage rate during the busy season in regions where the supply of agricultural labour was in high excess was relatively less than in regions where its supply was in low excess. For instance, the range of seasonal variations of wage rates (expressed as percentage of the lowest rate mentioned) for the male agricultural labourers was only 8.6 per cent in the Coimbatore and Salem districts but 47.7 per cent in the Amritsar and Ferozepur districts.

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There are regional variations in the intensity of underemployment of agricultural labour as well. It is less intense in Punjab and Gujarat than in Bihar, Kerala and Mysore (now Karnataka). According to the Second All-India Agricultural Labour Enquiry, the number of days of employment for adult male agricultural labour was 244 in Punjab, 241 in Bombay, 220 in Bihar, 217 in Mysore and 170 in Kerala.

The pockets of high incidence of unemployment in India are not fixed geographically but, on the contrary, vary over a period of years because the volume of agricultural employment turns on the extent of rainfall and the extent of rainfall is not constant over years in any particular area.[8a]

The 1961 Census data for the urban areas of different States and Union Territories report a higher incidence of unemployment among females in Jammu and Kashmir, West Bengal, Delhi and Tripura. More than 5 per cent of males in the labour force in West Bengal, Manipur, Kerala and Pondicherry were unemployed. In the urban areas of Madras and Maharashtra also the incidence of unemployment was above the all-India average. The States for which the 17th Round of the NSS reported a higher incidence of urban male unemployment than the all-India average included Andhra Pradesh, Assam, Bihar, Kerala, Madras, West Bengal, Delhi and Tripura. According to both the 1961 Census and the 17th Round of the NSS, the urban areas of Kerala, West Bengal and Madras had a higher incidence of male unemployment than India as a whole. According to each of the five Rounds (18th to 22nd) Kerala (5.65, 4.93, 4.96, 4.84 and 4.03) and Tripura (3.87, 3.48, 4.13, 4.17 and 4.62) occupied the first and/or the second rank in the incidence of male unemployment. Madras (3.80, 3.05, 3.60, 2.71 and 2.55) had the third rank in four out of the five Rounds (the fourth rank during the remaining Round) and West Bengal (2.51, 2.20, 1.55, 1.43 and 2.28) had the fourth or the fifth rank in three out of the five Rounds. In Manipur (3.08, 2.45, 2.02, 3.32 and 1.50) also urban male unemployment had apparently been quite high. The consistency of these observations leads one to conclude that relatively to other parts of the country urban male unemployment had indeed been very high in Kerala, Tripura, Madras, West Bengal and Manipur. Urban female unemployment was high in Kerala (8.02, 7.20, 6.57, 7.11 and 1.86), Tripura (8.74, 17.79, 11.58, 16.64 and 4.41), West Bengal (4.81, 2.69, 7.57, 2.04 and 0.56) and Madras (3.54, 2.48, 3.92, 2.19 and 0.61)—areas with a high incidence of urban male unemployment and also in Delhi (2.43, 4.50, 5.68, 3.74 and 0.29) and Assam (13.25, 4.20, 7.33, 6.52 and 0.62).

The 1961 Census data show that the crude or over-all participation rates in different States are different. This difference seems to be partly connected with the composition of the population in terms of the proportion of the scheduled castes and tribes in the total

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population. If attention is confined to the major States, among rural males of all the three groups, the highest crude worker rate (per 1000 population) is reported for Andhra Pradesh (64.23) and the lowest for Kerala (47.42). The highest rate for all rural females is observed in Madhya Pradesh (48.60), that for the scheduled castes in Andhra Pradesh (67.86 for males and 59.13 for females), for the scheduled tribes in Punjab (61.85 for males and 69.42 for females), and for the non-scheduled population in Maharashtra (57.64 for males and 45.56 for females). The lowest worker rate for females is in West Bengal for the scheduled castes (10.91), the non-scheduled population (7.00) as well as the aggregate (10.62). The female work rate for the scheduled tribes in West Bengal (41.86) is only slightly above that in Kerala (40.61), which reports the lowest rate for them. The participation rates for the States conceal large inter-district variations.[9]

Broadly speaking, in almost all States there was a decline in the participation rates between 1911 and 1961. "To what extent this was due to rapid population growth (leading to an increased proportion of the population belonging to the younger age-groups) and to what extent it reflected a decline in the age-sex specific participation rates cannot be determined in the absence of age-sex specific participation rates for the period before 1961."[10]

The statistics reproduced in the preceding passages demonstrate vividly that the nature and content of the problem of unemployment and underemployment is not uniform throughout the country but instead embodies many interesting regional variations which ought to be borne in mind while formulating any policy.

There is very little open or outright unemployment in India but there is considerable seasonal unemployment and/or underemployment. Not only are the two phenomena analytically distinct, the remedial action needed for each of them is also quite different. Underemployment carries with it the possibility of fuller utilisation of the available resources. The social significance of the problem must however be traced to the need for raising the income of the underemployed. The underemployed have some kind of opportunity for work which however does not yield adequate income. Higher productivity of existing occupations can raise income without necessarily increasing the quantum of employment. Moreover, given a choice, the underemployed would perhaps perfer more work in their existing occupations rather than seek or avail themselves of employment opportunities elsewhere. This has important implications for employment policies.[11] The State policies towards unemployment must hence display awareness of both the problem of level and the problem of structure.[12] The self-employed agriculturists and non-agriculturists in the rural areas are severely underemployed, whereas the wage-employed suffer from frequent spells of unemployment. The problem of unemployment, whether seasonal or chronic, is likely to be encountered primarily by the agricultural labourers and the small

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landholders, who undertake secondary occupations to supplement their incomes. Persons, who remain unemployed even during the peak seasons in the rural areas, represent the hard core of the unemployed needing special attention.

Resort to the capital-intensive methods of cultivation, resumption of the cultivation of lands by the owners themselves, spread of secondary education, etc., are gradually transforming disguised unemployment in the country-side into open unemployment. The process of commercialisation is likely to convert latent or covert unemployment within household enterprises into open unemployment among those seeking wage-employment. Open unemployment is more severe in the urban than in the rural areas, in the States of larger than in those of smaller per capita incomes, and in the more commercialised areas with considerable wage-employment than in the less commercialised ones with limited wage-employment.[13]

II

Economic growth may on its own generate some employment but not so much employment as to liquidate not only the existing volume of unemployment but also the growing volume of unemployment on account of the rapidly increasing population and hence, the working force in a country. Experience shows that even those countries which have been undergoing rapid economic growth are still beset with the scourge of mounting unemployment. The present demographic situation in several developing countries makes it virtually certain that the scale of the problem will increase dramatically in the years ahead.[14] Development tends to polarise and backwardness feeds on itself. Underemployment of the depressed areas (now called development or less prosperous areas) is germane to their heavy unemployment. Nonetheless, the intensity of the pockets of unemployment will be lower when total national wealth is larger than when it is smaller. Even in the advanced countries there exist certain areas where per capita income is a mere fraction of the national figure because of the lack of employment opportunities as well as insufficiency of facilities for education in them. In the United States, for example, economic growth, measured in terms of employment, has not led to "more or less automatic readjustment in the level of unemployment of the groups suffering from unemployment."[15] The attachment of the unemployed groups to poverty has tended to become stronger year after year regardless of the state of the American economy, "as if for the unemployed there is no boom or recession but only depression".[16]

In the USA both long-term unemployment and high unemployment are the leading attributes of the depressed areas. But, while it is important, unemployment cannot be said to be the fundamental problem of the USA. Underemployment of labour better characterizes the poverty of such areas, having been caused by lack of

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entrepreneurial drive, effective capital availability, technical know-how and social infrastructure. These are areas of depleted resources and inadequate private and public investments. Large groups of individuals can be removed from these areas without any significant loss of output. In these areas poverty is the poverty of underemployment. It is not the poverty of the affluent society.[17]

Poverty undoubtedly has a geographical dimension. Employment opportunities are not equally distributed in a country. Their availability reflects the history and ecology of industrialisation and economic growth. An individual's residence may coincide with an area either of labour surplus or labour shortage, that is, with an area where structural changes in the economy have brought about job obsolescence or rapidly expanding job opportunity.[18] Mass poverty is a major cause of mass unemployment and underemployment. So also, mass unemployment and underemployment are a major cause of mass poverty. In the rich countries, but more so in a poor country like India, pockets of unemployment and underemployment are, by and large, also pockets of poverty. In the depressed areas unemployment is more nearly akin to poverty than anywhere else in the United States. This is so because the unemployed in these areas are predominantly in the poverty-linked groups and also because the poverty-linked groups claim a large proportion of the population of the depressed area.[19] In that country a positive correlation exists between unemployment and poverty at the highest of the three income levels used. At the lower levels negative correlations are observed. This indicates that the effect of increased economic activity is felt by those in the upper part of the low income scale but not by those living in abject poverty.[20] Poverty and unemployment thus overlap and interact.

As Gunnar Myrdal puts it, "In the mainstream of economic theory, unemployment and underemployment on a vast scale are regarded as a primary cause of poverty in the South Asian countries. At the same time, the large volume of unutilised labour possessed by these countries is thought to have... a potential that can be used to eliminate poverty. The supreme task of planning is thus to drain this labour reservoir by creating work opportunities and by channeling the unemployed and underemployed into productive work."[21]

In the less developed countries the productivity of labour is low. It is generally noticed that when there is a surplus of labour supply, there is also less incentive to maximise labour productivity. Labour is retained in activities which in the more developed countries would have left for better paid work. Agriculture is usually affected in this way. Excess labour stays on in agriculture for want of alternative employment.

In the less developed areas the labour force participation rate is found to be lower than the national average. This is so even in an advanced country like the USA. There the poverty-linked groups,

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lacking skill, find no job, and finding no job, they withdraw from the labour force.[22] Low activity or participation rates caused by the emigration of younger people and of skilled rather than unskilled workers from the less developed areas go with high unemployment in these areas and can be augmented only in those areas where they actually occur. As is well-known, high unemployment is accompanied by a sort of social obsolescence.[23]

III

Regional economic growth must be a highly selective operation and its effect on the rate of national economic growth must be taken into account. Our contention is that only such pockets of heavy unemployment and underemployment (i.e., disguised unemployment) should be selected for concentration of plan efforts as possess potentiality for becoming centres or poles of growth at and within which the intensification of the agricultural operations would be carried out and the non-farm activities like agro-industries would be established and executed. Since general national economic growth is no guarantee that unemployment in the regions will be eliminated (it may be mitigated), regional economic growth will have to be speeded up simultaneously. If speeded up in regions having potential for growth, and not in all regions, regional economic growth should cure regional unemployment without in any way adversely affecting national economic growth.

There is no gainsaying the fact that, to an extent, giving work to the unemployed will lead to a more effective utilisation of the resources of a country, if the work is productive, but it is also true that not all regions are suited for productive work. A developing country like India, which is determined to solve the problem of unemployment and poverty must draw lessons from the experiences of some of the advanced countries in the West, which have abandoned their old policy of fighting unemployment in all regions where it predominates in favour of their present policy of fighting it in only such selected regions as have potentiality for growth. In short, regional unemployment is best regarded as a symptom of an inadequate rate of both national and regional economic growth.

By the early 1960s it was recognised in the Western countries like Great Britain, France and Germany that the regional unemployment problem should be increasingly appraised as a problem connected, firstly, with national, and, secondly, with regional economic growth. The policy of diffusion of government aid over a large number of areas was, therefore, rejected as being too expensive and of problematic efficacy. The social planners there now think in terms of temporary government assistance designed to permit a break-through rather than in terms of continuing government subsidisation. These countries have lately opted for a policy of growth area strategy after having practised for a few decades a policy of eliminating local or

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regional unemployment. A policy based on growth areas is more likely to be successful in raising regional growth rates and, in the long run, in curing unemployment than a policy of diversification and dispersion.[24] Although in Great Britain, for instance, a relatively high level of unemployment continues to be one test for choosing the regions for being assisted by the state, their extent has to be sufficiently large both in population and area to qualify for some possible centres of growth. It is reckoned a mistake to select small districts bestrewn with a high incidence of unemployment and to exclude adjoining districts simply on the ground that unemployment there is not currently so high, although those may be the very districts in the region which have maximum potentiality for growth.[25]

By 'potential areas' is meant those areas which possess considerable unutilised human and material resources but the exploitation of these resources is held up for want of the basic socio-economic infrastructure in them. The stimulus imparted by the private and the public investments in these areas and the resulting increase in local incomes often start off their genuine productive development. On the other hand, by "impotential areas" are meant those areas, which lack not only the basic socio-economic infrastructure but also unutilised human and material resources so that once the private and the public investments are completed, production and income hark back to a level not far different from the original one.

To remind ourselves, in 1948, in Great Britain not the whole region of the Highlands was scheduled for special government assistance but only a nucleus area in which it was thought development would be most economically achieved and where concentrated effort would improve the prospect of over-all success. The White Paper of 1948 said that there was merit in the case for extending the Development Area powers to those districts which were chosen for their suitability as focal points of industrial development for the Highlands as a whole and not merely for the sake of removing their unemployment.[26] In 1969 the District Development System was replaced by the broad Development Areas System in keeping with the policy of concentration. The Toothill Committee dubbed the previous policy of providing direct relief to the unemployment black spots in place of promoting growth as a policy of "attacking the symptoms rather than the causes of the problem." In its opinion a more rapid rate of regional economic growth would automatically relieve the unemployment problem. It suggested that the pockets of worst unemployment might continue to qualify for the complete package of grants and loans as in the past but the expenditure on infrastructure should most clearly attach priority to the growth points. While the reduction of unemployment was still regarded as an objective of regional planning in the Toothill Report, it was not regarded as its sole aim. According to the Committee, a long-range view had to be taken, for it would not do simply to look for more

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jobs of any kind immediately without regard for the costs involved or for the prospects they carried. Regional policy had to be selective. What was required was not the general dispersion of industry over the whole country but rather the building up of new industrial complexes or zones of growth in regions where the locational factors were reasonably promising. On a longer view there need be no serious conflict between the objective of more employment and that of faster growth,[27] regional or national.

There has been some awareness of this principle in this country as well. The Third Five-Year Plan of India contained a suggestion that attempts at the creation of more employment opportunities should be concentrated in areas of high incidence of chronic underemployment. The Rural Works Programme was not intended to be undertaken irrespective of the level of development and the size of unemployment and underemployment in any area. As far as possible, dispersal of the programme over a wide area was to be deliberately avoided. The programme was calculated to create, over a period of time, a viable economy in areas which were exposed to a high degree of unemployment and underemployment. With this end in view the areas selected for the implementation of the Rural Works Programme were to be such as had good scope for undertaking short-term agricultural projects capable of adding substantially to production.[28] The programme was distinguished from the *ad hoc* relief work taken up to relieve temporary unemployment during the natural calamities. It was to form an integral part of the continued efforts outlined in the developmental programmes for fostering a viable economy by augmenting production in the areas liable to a high incidence of unemployment (as evidenced in the predominance of agricultural workers in the working population and availability of a large number of people for work during the agricultural slack season). It was felt strongly that in the measure in which the programme was organised on sound lines the problem of unemployment and underemployment in the rural areas would become easier of solution and the process of revitalisation of the rural economy would be expedited.[29]

The Committee on Distribution of Income and levels of Living was of the opinion that it was not possible to create jobs for the millions of unemployed and underemployed people scattered all over the country.[30]

The Fourth Plan proposed to promote the medium-scale and small-scale industries in only those backward districts which had either some infrastructure facilities or availability of raw materials. The scheme of development for them was to comprise a new township with an attached industrial estate and to provide the requisite amenities and facilities to them so that good industrial nuclei were built up.[31]

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IV

In the absence of advance or perspective planning, measures to accelerate the speed of industrialisation and to raise national output alone are not sufficient to guarantee employment to the under-employed people. New industries could be set up in such places as have little or no surplus agricultural labour. One, therefore, feels provoked to ask the question : Should underemployment and seasonal unemployment be relieved by bringing jobs to the people or by bringing people to the jobs ? With a view to formulating a sound policy of industrial location we have to switch our attention over to the three related aspects of the question, which would need to be considered *inter alia*,[32] viz.,

(a) the distance betweeen the industries to be developed and the regions of surplus agricultural population;

(b) the most suitable location of each industry to be developed with respect to its inherent requirements; and

(c) the possibilities of industrial decentralisation. Rough estimates will have to be made of the proportion of the country's agricultural population (i) that can be provided with industrial jobs on the spot, (ii) that needs to move only a relatively short distance to find jobs, and (iii) that will have to travel long distances to reach the localities where new industrial employment opportunities can be provided.

There are three groups of industries:

(A) Industries, which are suitable for decentralisation among rural blocks within regions of surplus agricultural labour.

(B) Industries which are unsuitable for decentralisation but can still be established within the regions of surplus agricultural labour, though not within daily travelling distance from where such labour at present resides.

(C) Industries which for reasons of cost advantage must be located far from the regions of surplus agricultural labour. "The objective of industrialisation is far wider than relief of underemployment. There are industries which need to be developed regardless of their proximity to the regions of surplus agricultural labour."

We have also to consider (i) the extent of development to be piloted in each of the above-mentioned three groups of industries and (ii) the geographical distribution of each group of industries to be sponsored. Whether any industry is amenable to decentralisation depends among other things on the degree of cost advantage which it can reap from the economies of scale as well as on how close it has to be to the sources of power to keep the cost of power transmission or fuel transportation at a manageable level.

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There are limitations upon the policy of taking work to the workers: The regions in which industries may be developed with maximum economic advantage may not coincide with the regions which abound in surplus agricultural labour. The location of many industries is not labour-oriented. Were such industries to be established in areas which are pockets of surplus labour, the long-run loss to the economy through an inefficient allocation of resources would be enormous. Moreover, the high costs and low competitiveness of firms established in such areas may render them particularly susceptible to any decline in demand and thereby be a source of unemployment which they are supposed to cure.[33] In addition, in such areas the actual volume of skilled labour, which can be recruited at any one point, is so small as to be inadequate for most firms seeking a site for development.[34]

Likewise, there are limitations upon the policy of taking workers to work. In the less developed countries the geographical mobility of agricultural labour is abysmally low. According to the ILO report, the degree of its mobility varies inversely both with the distance and with the income-level of the agricultural population. The factor of distance of residence of labour from the industry or place of work assumes substantial significance in countries of vast extent. The factor of income is specially relevant in the case of the underemployed agricultural labourers, who are generally too poor to meet the costs of moving.[35] There may be unemployment in the more prosperous (urban) areas. In that case, some of the unemployed and underemployed in the less prosperous (rural) areas cannot be transferred to those areas. Besides, if there is huge unutilised capacity in some industries located in the more prosperous areas, how can the same industries be established in the less prosperous areas? Such a paradoxical situation had cropped up in Italy.[36] Planned out-migration is a less effective remedy when a region's problems ensue from the low activity rates, which generally characterize the pockets of unemployment and underemployment.[37] Migration of surplus labour *per se* is not a good solution, when the regional rate of unemployment is not at some critical level well above the national rate. The abiding interest of agricultural labourers in land and the uncertainty of employment outside are serious hindrances to their movement.[38] The reserve of the unemployed manpower in the rural areas lacks skill and is not readily transferable to occupations requiring skill.[39] The cost of providing the unemployed transferred from their rural homes with even tolerable housing accommodation in the urban areas may be prohibitive.[40] Furthermore, as the authors of the Fourth Plan pointed out, the socio-economic costs of servicing large centres of economic activity are already heavy in India. The cost of providing the necessary infrastructure for further expansion of the existing large urban and industrial centres is often much larger than what it might be if development was purposefully directed to occur in smaller towns and

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rural areas.[41] Many field surveys have adduced that the rural workers in India can move out of the villages and take up alternative employment on projects located within a radius of 50 miles at the most. Normally, these workers appear to prefer employment at a distance which will enable them to return home every day. Short-distance migration is more acceptable to them. Again, if migration takes place on a large scale, the local market becomes depressed. The tertiary sector suffers a loss of income. The departure of the most enterprising, the most skilled and the most employable makes it more difficult to employ the remainder—all these being attributable to what is called the backwash effect. To repeat, migration *per se* is not a good solution. A century of migration did not weed out unemployment in Ireland.[42] Last but not the least, in so far as practically all available and willing agricultural labour and a good proportion of the non-farm population are absorbed in work during peak agricultural seasons and an acute shortage of labour is felt, removal of surplus agricultural labour from the rural site to the far-off urban centres may bring down total agricultural produce.[43] But this is not to refute an important finding that since even during busy agricultural seasons several rural workers work on the rural works, there are always many people in the rural areas, who prefer better, regular and more lucrative employment in agriculture. Long-distance migration may be of limited help in the agricultural reconstruction, compared to nearby non-farm growth. There are indications that adjustments are made more rapidly where the growth in the non-farm employment is local. To illustrate, the rural farm areas in the South-East of the USA, which caught up with the national average between 1930 and 1950, were contiguous to the developing urban centres.[44] However, we should not forget that the various sections of the rural population are not equally immobile. The landless agriculturers possess a higher degree of mobility and are relatively less bound to their locality or to particular professions and can, unlike the high-caste villagers, be more easily persuaded to take up manual work outside their original profession.[45] The non-farm workers in the countryside too are more willing to move to outside places in search of better and regular employment. Migration has been a very important corrective of regional unemployment in small European countries and Britain and it has really done more to relieve structural unemployment than has the opening of new factories under the official schemes of regional development.[46] But even there it has been felt that "local immobility is a greater obstacle than occupational immobility to adjustment of labour demand and supply so long as the location of industry remains uncontrolled".[47]

For the reasons explained in the preceding paragraphs neither of the two measures, viz., bringing jobs to the people and taking people to the jobs, can by itself provide a complete solution of our problem. A reasonable approach would be that which seeks to achieve such a

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combination of these two measures as will yield the maximum aggregate economic and social benefit. In any less developed country the industrialisation policy needs to be so framed as to bring as many industrial jobs to the regions of surplus agricultural labour as the regional economic conditions warrant and at the same time to transplant to more distant industrial jobs as much as possible of the surplus agricultural labour from those regions, the economic conditions of which do not justify any industrial development.[48] It is in fact difficult to think of any sound and effective attack on regionalised unemployment that does not encourage both people and jobs to move to one another.[49] A policy of bringing industry to the worker, wherever he may be, is inconsistent with a policy of rapid economic growth. But it would certainly be practicable to sponsor and induce the development of industrial complexes at certain suitable locations within the less prosperous regions and thereby to subserve both the local needs and the national goal.[50] The procedure of choosing development districts with reference to unemployment can, in fact, be reconciled with the building up of new industrial complexes, if the planners act thoughtfully.[51] From an economic angle, it will be more profitable to develop such centres of growth as would pull labour, for, as Beveridge remarks, local movement like industrial movement, depends on effective demand.[52] The presence of employment opportunities may be a far greater incentive to migration than wage differentials and there is no law that high wages and new job opportunities will be intimately correlated.[53]

The advanced countries have adopted measures like the provision of employment to the localised pools of the unemployed persons attracting new industries to the old centres of industrialisation, diversification of the economic base of an area, transfer of some of the unemployed to more prosperous and expanding areas, and so on. Also, an attempt has been made in them to distribute the new industrial activity on "some balanced social and economic scale."[54] The Toothill Committee in its report of 1961 upheld the view that an unemployment policy should aim at "the promotion of regional economic growth, rather than simply the relief of unemployment" and recommended that efforts be focused on the growth centres chosen in the areas having the best prospects for development.[55] The growth centres, if selected judiciously, were expected to become "the focus of substantial concentrations of population, which would provide a potential supply of labour". Coupled with adequate and up-to-date services and facilities planned for them, this should by itself render them capable of self-sustained growth.[56]

The expenditures incurred on the Rural Works Programme implemented in India bring forth purely short-term relief to the stagnant areas and contribute but little to their growth potential even when use is made of the locally available material resources and cheap labour. This policy of achieving the regional balance by recourse to the low-yield type rural works is, in effect, more of the nature of a

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transfer payment to improve income distribution than a positive contribution to economic development. It uses resources which otherwise would be available to those projects which are competent to accelerate national economic growth.[57] The authors of the Fourth Plan looked at the creation of regular employment opportunities at a rate faster than the rate of increase in the potential labour force as a means towards equitable distribution of income in the context of a developing economy. This is what they urged: "When unemployment exists on a broad scale, income redistribution (*through creation of employment opportunities*) in favour of the unemployed must take precedence over redistribution among those who enjoy a regular income at or above a level which is just sufficient to maintain a minimum socially acceptable standard of living."[58] But they were not oblivious of the attendant difficulty because they added : "In order to provide a sufficient increase in employment opportunities to keep pace with unemployment in the future, capital formation would have to take place at a rate faster than it has done so far but increased capital formation must be matched with increases in saving."[59] The crux of the problem is this that the retarded areas in a country can be developed only when there are adequate surpluses in existence and for generating adequate surpluses those areas, which have potential, have to be developed first. It is a matter of social decision as to what degree the benefits from realised progress should be used to bring immediate relief to those who are not only under-privileged but also tied by immobility to their retarded regions. The question is "how to realise such an object in a way which is in harmony with the goal of maintaining a high rate of national economic growth and rapid elimination of unemployment".[60] In other words, the principal means of enlarging and extending employment opportunities is to get the economy move as fast as possible, as the authors of the Fourth Plan themselves recognised, but definitely not with the maximum dispersal of productive activity throughout the country, as they asserted in the same strain.[61] On the contrary, it should be promoting growth centres in the economically potential pockets of poverty and unemployment (or underemployment) partaking of the character of the agro-industrial complexes.[62]

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12

Interrelationship of Rural Migration and Urban Unemployment in India

I. PROBLEM OF RURAL MIGRATION

In India the ordinary rural migrant to the city is most often an "involuntary expatriate". The urban poor are also a component of the problem of urban decay. Misery is associated with and aggravated by the twin evils of unemployment and limitless urbanisation. The metropolitan cities have reached levels of decay that further call for enormous funds merely to arrest their further deterioration. A large percentage of population there has to live in "squatter settlements".

According to a study, rural to urban migration in India was 14.5 per cent in 1961 and 15 per cent in 1971, which indicated a slightly greater tendency of the rural population to migrate to the urban areas. In this men outnumbered women. Taking the total number of urban workers in different economic activities, migrants from the rural areas constituted 42.1 per cent in construction, 38.7 per cent in manufacturing, 37.6 per cent in transport and communications, and 38.3 per cent in services.

As a rule, the rural influx comes largely from those areas which are either situated within the direct influence of a town or, at any rate, lie within the same cultural region. Migrants move from densely peopled, drought-ridden or drought-prone agricultural tracts to areas newly reclaimed for agriculture, or where irrigation offers fresh possibilities, and, of course, to the towns and cities. Movements are generally over relatively short distances, and economic motivations predominate.

The movement of workers from the rural to the urban areas has been generally fostered by lack of adequate means of livelihood in the agricultural sector, on the one hand and the lure of wage employment in areas of economic activity, which are typically urban, on the other.

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Myrdal is of the opinion that "the city-ward movement is largely unrelated to any vigorous expansion of urban employment opportunities, for... the cities are beset by serious unemployment and 'under-employment' problems of their own. And in view of the squalor, over-crowding, inadequate housing and insanitation in urban centres, the movement toward the cities cannot, in general, be motivated by any increase in their 'net attractiveness'; recent studies indicate the reverse". He ascribes urbanisation to rural poverty and insecurity, a very rapid growth of population pressing on the lower strata in the rural sector and then spilling over into the towns and cities. Thus, urbanisation becomes more a reaction against the lack of vigorous growth, an aspect of continued poverty, than a response to rising levels of income per head. Much of it is due to the decline of peasant proprietorship and traditional craft work, the lure of cities as an escape from the drabness of village life, civil wars, instability and crop failures—factors inhibiting economic development.

Singh views the exodus from villages as both a response to wider opportunities emerging in other sectors of the economy and an expression of the growing inadequacy of the rural economy in meeting the challenge of modern economic development. The employment opportunities of the landless sections are smaller relatively to their numbers, and more of them have been driven to casual and intermittent labour. Legislation of the past twenty-five odd years relating to money-lenders has gradually sent an increasing number among them to the towns. Recent legislation giving security to the tiller of the soil makes it more difficult for the non-cultivating landholder to retain a place within the fabric of village society. For those who own land but work outside the village, it is now much less easy to continue to maintain a close enough link with the village community.

According to him, the continuing dependence on agriculture, the failure so far to diversify rural economic life in any substantial measure and the slow expansion of agricultural production (except in the irrigated areas) are reflected in the low levels of income and low levels of productivity which characterize much of the contemporary rural economic life. The disparity between economic development and the development of social services strengthens the trend in favour of a continuing exodus from the rural areas. As it is at present situated, rural society fails to offer a reasonable measure of opportunity for those who have education, skill and ambition. The existing agrarian structure based on small and frequently uneconomic holdings and excessive dependence on agriculture lacks counteracting factors. Lastly, the tensions and conflicts of rural life tend to be accentuated and become a further factor in driving forward-looking elements away from the villages.

II. FACTORS GOVERNING MIGRATION

To be more precise, the factors governing migration from rural

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to urban areas in the developing countries can be classified under two broad heads: (A) The Push Factors and (B) The Pull Factors.

(A) The *push* factors (i.e., factors which repel people from villages) are as follows :— (1) Villages lack suitable employment opportunities. (2) Villages are poorer than towns and cities. An inadequate land base is at the root of both unemployment and poverty in the countryside. (3) The relative stagnation of the villages and smaller towns is a major cause. The most disquieting feature of the urbanisation process in India has been the decline of Class V (5,000 to 9,999 population) and Class VI (less than 5,000 population) towns during 1951-71. The larger towns and cities have expanded at their cost. The rural areas everywhere have experienced the slowest rates of growth, with the result that "the peasants are the real proletariat of today". These areas have been neglected compared to the urban areas because of the urban bias of planning at both policy-making and plan-implementation stages. Erosion of the traditional means of employment in farming, manufacturing, transport and communications, trade and commerce in the countryside has proceeded at a much faster pace than the creation of new avenues of employment there. Intensification of land reform has speeded up the process of resumption of land by the landlords and eviction of tenants under the guise of voluntary surrender of land. "Ad hocism" and the essentially "relief" character of the rural works programmes, lacking in continuity and consistency, are no less accountable for this. The establishment of a number of industrial enclaves has brought about the 'backwash effect' more than the 'spread effect' on the rural areas in the vicinity and their consequent increased pauperization, compelling them to migrate to the new townships in quest of new sources of livelihood. In such cases urban growth has proved to be "parasitic" instead of "generative" to the surrounding rural areas. Following the abolition of landlordism, many old feudal lords have migrated to bigger towns and cities and settled down there in marked affluence as members of the leisured or rentier class, "clipping coupons", so to speak. Their exodus has involved a huge "drain of wealth" from the villages. (4) Migration is described as "the child of intra-rural inequality". This can be formulated in the shape of a broad proposition : "The greater the inequality in the distribution of land in a village, the greater is the volume of migration from it". The new agrarian technology, the so-called Green Revolution (which is largely localised and specialised), has been releasing such forces as strengthen economic polarisation and aggravate economic inequality. The Five-Year Plan programmes have benefited more the relatively well-off and the privileged groups in the villages and paved the way for still greater inequality. Summing up, "Imbalance in the access to resources—between regions, between villages and between families—is at the core of understanding the phenomenon of rural-urban migration." (5) In this analysis we cannot ignore the role of certain *conjunctural* factors in the townended

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migration of the country people. Homogeneous rural societies are alleged to impose certain restrictions on their members which prove irksome and monotonous to them in the course of time. Most villages are conspicuously devoid of the amenities of life as well as facilities for improving the educational and skill levels of the younger rural folk. Lately, the villages have been menaced increasingly by acts of violence, tension, unrest and instability.

(B) The *pull* factors (i.e., factors which attract villagers to towns) are as under :— (1) *The Gold-Rush Fever* : *The El Dorado*, that is, by moving out of his village to the city the villager thinks he would secure a job and earn more than he can ever hope to do by staying on in his village. Economic opportunities of employment and income are greater in the urban than in the rural areas. The urban-rural wage differential is a constant bait. In the opinion of some economists, the actual differential is the chief inducement. The rural migrants earn, on an average, more in towns. In the opinion of other economists, the difference in the expected urban and rural real incomes is the main incentive. In a sense, today's rapid urbanisation of the developing countries is taking place in advance of, rather than in response to, industrialization and economic growth. The acquisition of education by the rural people almost invariably augments their propensity to migrate to the urban areas with a view to obtaining more highly paid or more secure jobs available there. The richer rural households can afford to invest their surplus cash in their children's education. (2) Where adequate schooling facilities do not exist in the villages, the richer villagers send their children to urban schools. This often leads to their permanent migration. (3) A good many villagers migrate to towns to join their families and friends who are already settled there and thereby share with them their economic distress. Towns serve as *a safety-valve* in this sense. (4) The townward migration is stimulated by the fact that the towns and cities have been covered by a system of compulsory or statutory rationing under which the entire urban population has been provided with food and other articles of consumption (e.g., kerosene oil, coarse cloth, etc.). Besides, the town-dwellers enjoy several public consumption goods free of cost, which steps up their standard of living. The supply of such goods is stinted and erratic in the villages.

III. WHO MIGRATE ?

Field investigations bear out that "it is both the rather poor and the rather rich villagers who migrate" to the towns and cities. In the first category we have the deficit farmers and the unskilled landless labourers. *They are pushed out.* In the second category we have the schooled and skilled sons of the better-off farmers, and the 'single' men. *They are pulled out.* They migrate to the urban areas either to enjoy the higher urban-rural income differential or to acquire the cash and/or knowledge needed to improve farm technology.

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Four types of migrants can be distinguished. One type comprises the settled or resident migrants. These migrants have settled down in towns and cities in due course on getting permanent jobs to their liking. Theirs is "a special and expanding group". Some of them reside in towns and cities with their families; others without them. The latter raise their offspring in their villages. The low ratio of females to males in the urban areas retards the rate of growth of urban population. But this is not an unmixed blessing, for promiscuous sexual habits receive an impetus from it. The permanently settled migrants and their grown-up children imbibe certain middle-class attitudes towards job status as well as social status. They are loth to accept low-productivity, low-paid and unpleasant jobs. They instead prefer white-collar jobs.

The second type is composed of those migrants from the country-side who are new and fresh to the towns and cities but they unhesitatingly take up whatever jobs are detested by the migrants settled there for long. But only a very small fraction of them finds employment in the secondary, modern, formal urban sector (that is, industry). The rest find self-or wage-employment in the urban informal sector, usually the tertiary sector, as petty traders and hawkers on the streets, truck and taxi drivers, rickshaw pullers, porters, petty service providers, workers in repair shops, mechanics, office peons, and so forth. The number of rural migrants entering domestic service has dwindled sharply, such work having become *infra dig* and repugnant to most; those few, who act as domestic servants, washing utensils and clothes, and cleaning and sweeping rooms, do so out of helplessness.

The third type embodies those temporary or transient migrants who hark back to their respective villages on not finding jobs, whether or not to their liking. Modernisation and improvement of the rural means of transport and communications, both cheaper and quicker, has facilitated their movement to and fro considerably.

The last type is of the potential, floating migrants who reside in the adjoining smaller towns and drift into the larger ones on not securing jobs in the former after waiting there for quite some time.

IV. THE IMPACT

In the first instance, as a sequel to the excessive rural exodus, the income levels in the urban informal sector are driven down almost to the levels prevailing in the rural areas and the immigrants reap but marginal and niggling benefits from their "Townward Ho". The only end-result is a shift in the locus or site of poverty and unemployment. The urban tertiary sector is profusely "swollen". According to an estimate, while 36 per cent of the urban working force is occupied in its secondary sector, 49 per cent is occupied in its tertiary sector. What tempts the rural migrants towards the tertiary sector

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is the comparative ease and freedom with which they can maximise or optimise their individual welfare functions on joining that sector vis-a-vis the secondary. The pen has now come to be preferred to the machine in the same way that the machine had come to be preferred to the plough in the past.

Secondly, the rural migrants are constrained to live in towns in squalor and accumulating misery. Urbanisation in India has grown at a much faster pace than provision of infrastructure. Heavy depreciation and obsolescence of the existing social overhead capital has resulted. The quality of life has rapidly deteriorated. The migrants have been thrown on to "the scrap-heap of humanity". It reels one's head to imagine how 30,500 persons can reside per sq. km. in Calcutta. A more glaring example of congestion and overcrowding than this is difficult to cite.

Thirdly, the dangers of unemployment and "low-end poverty" look most inflammable and explosive in the large towns and cities. Being very active politically and belonging to the firebrand and militant type, the urban unemployed, particularly the educated ones, lie at the very root of unrest, terrorism, violence, students' revolts, instability and insecurity of life and property, endemic cessation of work and production, etc. The colossal wastage of resources—human and material (used up in education and training)—defies all attempt at measurement. Its far-reaching effect on all aspects of socio-economic life (allocative and distributive included) can never be easily comprehended or calculated.

Fourthly, inequality in the countryside gradually becomes self-sustaining, self-reproducing and self-propagating. "Migration is not only the child but also the father of inequality". It confers cumulative gain on the richer migrant's family. The economic distance between rural families becomes longer. The remittances from the migrants, net of out-remittances (in cash and kind) to support a number of them, are small and tend to worsen the intra-village inequality. The costs of maintenance and training of the migrated youth remain unreimbursed to the losing villages.

Fifthly, the absence of younger persons from the villages deprives them of their dynamic leaders and innovators. Village leadership passes into the hands of the older people. The young are greater risk-takers, whilst the old are greater security-lovers. The progress of the rural economy is thus severely handicapped and impeded.

Sixthly, too often "the gold-rush fever" turns out to be a mere mirage, a mere chimera. Having failed to obtain a job in the city, the rural migrant returns home a frustrated, defeated, hunted-down man. He curses his source of information, which might have been imperfect, as well as his decision to migrate, which ultimately proved irrational. In consequence, he becomes a cynic and a social rebel.

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Finally, the rural migrants, who accept low-productivity, low-paid, awkward and blind-alley urban jobs, normally do not develop a strong commitment to the labour force activity. They and their progeny all become "anomic" and contract "peculiar behavioural traits".

V. CONTRA-MIGRATION FACTORS

Nevertheless, in India the pace of rural-urban migration has somewhat slowed down since 1951. This can be attributed to a variety of factors : (1) Saturation of the central parts of the cities, or what has come to be known as "urban thrombosis". (2) Unrest and industrial stagnation (or inflationary recession) leading to the *Plan Holiday* during 1967-69, as also backlogs, delays and uncertainties in the execution of the Five-Year Plan projects from year to year, coupled with periods (such as 1967-69) of agricultural prosperity. (3) Rapid advance in the rural means of transport and communications, making journey to and from towns easier and quicker. The mobility of the Indian rural labour has increased tremendously. Time and space have been conquered to an appreciable extent and country and town brought in close proximity with each other. (4) Bleak economic prospects created by the multiplying reserve army of the urban unemployed. (5) Rising social or real costs of residing in the urban areas, such as bad housing, exorbitant house rents, difficulty in adjusting to the urban mores, ways and style of living, and the like. (6) Our social institutions are such that poverty and unemployment are more bearable in the rural setting than in the urban environment. In towns and cities the rural migrant is, more often than not, left to contend with a multitude of evil forces single-handed. By contrast, the sense of community life is greater in the rural areas. (7) The carrying on of vast construction works and employment schemes in the countryside in the last twenty-five years or so has slackened to a degree the efflux of the illiterate, semi-illiterate and unskilled villagers. (8) The opening of more sub-divisional, district and divisional headquarters and the growth of public institutions, e.g., schools, colleges, hospitals, etc., and the expansion of branches of banks in the countryside, by creating jobs for the rural folk, have stemmed the tide of rural migration to an extent.

VI. PROBLEM OF UNEMPLOYMENT

Broadly speaking, unemployment in a number of developing countries in the Third World is "an urban phenomenon and a phenomenon of the middle class". The cities in them are "exploding with rural migrants". A great bulk of the urban unemployed are, in effect, the "spill-over" or an "over-flow" of the rural. Agriculture has been "spinning off" its excess population into the large towns and cities. With growing urbanisation, unemployment has grown dramatically, 'fuelled' to some extent by the influx of rural migrants. Whereas the

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rate of growth of the urban labour force has been 4 to 7 per cent, the rate of growth of the urban employment opportunities has been 2.5 per cent. Its consequence has been surplus (un- and under-employed) labour in the urban areas as well. The current rate of open, urban unemployment has been estimated at 10 to 20 per cent of the urban labour force. Besides, 30 per cent of the population is reported to be under-utilised. The most affected belong to the age-group of 15 to 24. They are the young persons who have completed their secondary and higher education. The present spectacle witnessed in the urban areas is something like this : The rates of rural-urban migration continue to far outrun the rates of urban job creation, surpassing greatly as they do the capacity of both industry and urban social services to contain this surplus labour effectively. They are basically responsible for the augmentation of the urban surplus labour force and hence for exacerbating the urban unemployment problem. The urban population is growing constantly. But the job-seekers from the countryside outnumber the resident urban population seeking employment. Among the job-seekers, the educated unemployed are in a very high proportion. The problem of urban un- and under-employment in the Third World, by and large, boils down to "an incompatibility between the rapid growth of both urban population and urban labour force and the inadequate growth of productive employment opportunities". This apart, the rapid increase in the urban labour force has been caused primarily by massive migration from the rural areas.

This influx of rural migrants into the urban areas exceeding the natural growth of population in them has given rise to a very serious disequilibrium in the urban job supply-and-demand situation. This has been termed as "*Urban Over-unemployment*".

The employment problem confronting a typical city of a developing country is, in part, the outcome of "a combination of structural imbalances" or maladjustments, viz., (a) between the growth of the rural economy and that of the urban economy, (b) between the output of the formal educational system and the job market for the educated, and (c) between the urban jobs available and the aspirations of the existing labour force.

A recent study (Todaro's) suggests that the creation of extra urban jobs does not tend to reduce the proportion of rural migrants in urban unemployment *because* such a step induces fresh streams of townward migration. An *urban unemployment trap* has thus emerged. The "Equilibrium Urban Unemployment Rate", conceived of by some economists (e.g., A.C. Harberger), sufficiently high to check the inflow of rural migrants, remains a figment of the imagination. A conflicting situation, almost a see-saw movement, has arisen: The level of urban unemployment is rising. The rural-urban migration is accelerating. The urban wage-level is rising owing to the institutional rather than the competitive forces. What could have ended as a short-term

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problem of manpower imbalance has developed over the years into a long-term problem of chronic and ever-rising urban surplus labour. It has rudely shaken up the old belief that by transferring the rural surplus labour (whose social marginal product is zero or negative) to the towns and cities (where labour's social marginal product is positive) the rates of capital formation and income generation in the developing countries can be driven up.

While there is no unanimity of opinion among authors, the majority holds that the existing measured rates of open unemployment in the urban areas are much higher than they were in the past. Again, for all age-groups they are much higher in the urban areas than in the rural. This is partly explained by differences in the structure of activity : In particular, differences in the importance of household and non-household enterprises as between rural and urban areas.

There is also the admission of the fact that the rate of open urban unemployment only mirrors "the visible aspects of the employment problem—the tip of an enormous ice-berg". To give just one example, open unemployment is not a "viable option" for those who have to work irregularly or for very little return in the urban informal sector, the tertiary sector, and, therefore, the rate is an underestimate.

VII. THE EDUCATED UNEMPLOYED

"Education is positively correlated with unemployment." More education implies more open, urban unemployment. An "*inverted U-shaped Educated Unemployment Curve*" has been characteristic of the developing countries. Accordingly, the rate of unemployment for the secondary school leavers exceeds that of the primary school leavers but declines for the university graduates. Another noteworthy feature of our problem is that the average level of education of the unemployed appears to have risen sharply in recent years, although it cannot be denied that in many cases the standard of teaching and learning has gone down so much and malpractices in examinations in a good many States have depreciated the value of the college and the university degrees so very drastically that a sizable number of the educated unemployed have become literally unemployable. Thirdly, the proportion of the educated unemployed is evidently much higher in the urban than in the rural areas. Fourthly, the disparities in the level of education are larger in the urban than in the rural areas. Finally, urban income is much more skewed, much more unequally distributed, than the rural. This works up social unrest all the more.

In the cities of the developing countries nearly 60 per cent of the unemployed persons belong to the educated and vocal sections of the community. Unemployment among the educated persons rather than among the illiterate working class constitutes the crux of the problem. Those with secondary and higher education, who are unemployed, have rendered the problem extremely baffling.

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According to the 27th Round of the NSS, in India, in 1978, 8.2 per cent of the total rural labour force and 9 per cent of the total urban labour force were unemployed. The 17th Round of the NSS had given the following figures for 1961-62: 2.6 per cent of the rural labour force, 8.0 per cent of the urban labour force of 15 to 24 years of age and 3.2 per cent of the urban labour force of ages 15 and above, were unemployed. The number of educated work-seekers increased from 10,02,600 in 1967 to 20,53,300 in 1971. Employment in the organised sector increased from 163.18 lakh in 1967 to 174.54 lakh in 1971. At the end of 1972 the educated unemployed formed 27 per cent of the total unemployed and totalled 6.9 million. The educated unemployed constituted 48 per cent of the total employment exchange registrations in 1972 as against 33.4 per cent in 1957. This was so when nearly 10 to 12 per cent of the educated unemployed did not, as a rule, register themselves at the exchanges. In 1971 the percentage of unemployment was the highest (17.7 per cent) among the matriculates and non-matriculates and the lowest (3.5 per cent) among those who possessed the doctorate degree. The incidence of unemployment was the heaviest (20 per cent) among those who had some technical or vocational training and the second heaviest (16.2 per cent) among those who had been science students.

VIII. THE SOLUTIONS

When the urban sector cannot absorb the inflow of labour from the rural sector, special consideration must be given to the policies that will eradicate the causes of the rural "supply push" and help absorb the labour force in the rural areas themselves. The modern sector must avoid producing what can be produced in the rural sector. There may also be a larger scope for rural-based industry involving simple technology and the processing of agricultural materials. A technology—"intermediate"—superior to the indigenous traditional technology but not as advanced and labour-saving as the modern technology must be devised by applying "a critical minimum of domestic ingenuity". This will slacken the trend towards indiscriminate "megalopolis" and "automation".

Sustained agricultural growth and many-sided rural development, resulting in a better quality of life as well as improvement and better use of the district towns, will restrain the trek to the towns and cities by acting as a counter-magnetic force.

The spread of educational facilities and of social services generally should help enrich rural life and provide progressive leadership. An efficient and diversified rural economic structure organised along co-operative lines offers an important solution.

However, the problem of reconstruction of rural life cannot be solved in an isolated manner. Hence, it becomes essential not only to link the reconstruction of each village with that of the area of

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which it forms part, but also to visualise in an integrated manner the problems of balanced growth for each area or region, including both its rural and urban components.

A combined plan of economic and social development for an urban-rural region assumes that the movement of skilled and educated persons from the rural areas to the towns to seek new livelihood would be matched by corresponding movement of trained workers from the urban areas going into the villages to help in improving techniques, raising levels of living, extending educational facilities and providing relief where needed.

"It is only in the context of over-all economic development and a studied effort at social and economic integration within individual rural and urban communities and within each composite rural-urban area that we can hope to resolve some of the urgent problems thrown up by the migration trends which have been in evidence in India over the past two decades and more, and which are likely in the future to become an increasingly significant factor in all underdeveloped economies."

It is evident from the foregoing that the remedy of the urban over-unemployment problem lies in mounting a three-pronged attack on it with priorities as follows: (1) *Revamping the countryside*, which means (a) providing more employment opportunities and generating more incomes in the rural areas by promoting intensive agriculture, by launching rural works programmes, by developing the village and agro-based industries and by reviving the sick industries like sugar, jute and paper, (b) making villages better places to live in by providing them with more electricity, improved water supply, better housing, additional health services, better educational facilities, etc., as envisaged under the Minimum Needs Programme, (c) by undertaking a better distribution of earning power in the rural areas with a view to lowering the given intra-rural economic inequality (this inevitably assumes an egalitarian land redistribution programme accompanied by an appropriate provision of other "connected" inputs) and (d) by equipping the rural manpower with more capital per head—fixed and working--in so far as the Indian unemployment is of the Marxian variety, originating from low capital-labour ratios. (2) *Developing the smaller towns adjoining the bigger ones and cities as satellite towns* so that the excessive load on the former is diverted to the latter, common services for the contiguous villages are refurbished in those focal centres, and decentralised agro-industrial complexes are built up there. (3) *Expanding the urban industrial base and toning up the anatomy of the cities.* A significant target or focus of the urban employment policy will be the unemployed members of the settled or resident group, discussed above. Its next important target or focus will be the fourth group of potential or floating migrants, also discussed above. All in all, creation of jobs under (1) and (2) above would be much cheaper and expeditious than under (3).

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From the above it can be inferred that the open unemployment of the developing countries concentrated as it is in their urban areas, the site of its cure will *per force* be the rural areas themselves, because, for several years yet to come, agriculture and activities derived from it, if they are properly reoriented and redesigned, will have to continue, under necessity (since economic activities in the urban areas will continue to be hard put to it for long to employ gainfully the entire local labour force), to act as "a sponge" and to provide productive employment to the entire rural labour force, surplus or otherwise.

The policy measure of inculcating "*love for farming*" in the minds of the children of the primary schools located in the rural areas by means of "ruralisation of their curriculum" so that they become "votaries of villages" is now adjudged to be anything but practical or realistic inasmuch as the parents and guardians of these children are mentally opposed to this novel experiment on the ground that Indian agriculture, like Indian cooking, is too simple to be learnt in schools by spending time and money; both come naturally to all who are willing. Only when agriculture becomes completely mechanised can there be any real necessity for embarking upon such a venture.

IX. SUMMARY

A number of countries in the Third World (170 in number) are replete with a dual problem: chronic underutilization of their vast rural manpower and heavy unemployment of their urban labour force, consisting largely of the educated young people of the age-group of 15 to 24. The number of migrants from the countryside looking for jobs far exceeds, per unit of time, the number of persons added to the urban labour force consequent upon the natural growth of urban population. The creation of more, and still more, jobs in the urban areas is miserably failing to liquidate this phenomenon of urban over-unemployment; it rather stimulates further streams of rural migrants. The urban areas are virtually exploding with these streams spun off constantly by agriculture. An equilibrium rate of urban unemployment sufficiently high to ward off such continuous streams remains an unattainable goal. In lieu of it we have the urban unemployment trap.

The townward migration of the villagers is governed by a couple of distinct sets of factors—*push* and *pull*. In recent years in our own country the relative influence of the push factors has observably waned. The Gold-Rush Fever and the quest for the *El Dorado* have abated. Whereas the rather rural poor are pushed out to the urban areas, the rather rural rich are pulled out to them. The migrants form a large genus—the settled or resident migrants (who constitute its leading species), the semi-settled migrants, the temporary migrants, and the potential or floating migrants.

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The repercussions of this "Townward Ho" for employment and higher earnings are far-reaching from all points of view—economic, social and political. The urban employment position deteriorates. Wages in the urban informal (tertiary) sector are depressed. The end-result of rural migration is a mere shift in the locus of poverty and unemployment. The "lumpen or disinherited proletariat", the so-called "culture of poverty"—the educated unemployed—are steadily working up social agitation and unrest and in consequence the metropolises are today faced with a highly explosive, quasi-revolutionary situation. Rural inequality has worsened. The villages are stripped of their dynamic leadership. The resulting conditions breed anomie and frustration among large sections of the migrants, whether successful or unsuccessful in their ventures.

The solution of this problem lies in developing the rural areas in all ways possible and in effecting an integration between agriculture and industry away from the large towns and cities.

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13

Regional Imbalances and Financial Institutions in India

The authors of the First-Year Plan (p. 442) had considered the development of those States and regions that had remained backward essential for "balanced industrial development". The Second Five-Year Plan (p. 26) thought that the problems of creation of employment opportunities and reduction in economic inequalities needed to be broken up in terms of sectors, regions and classes for a better appreciation thereof. It wanted the pattern of investment to be so devised as to lead to "balanced regional development"(pp. 35-36). The Third Five-Year Plan suggested that the disparities in the levels of development in the different regions had to be steadily reduced and the benefits of industrialisation spread evenly between different parts of the country (p. 8). The major aims of planned development were laid down as balanced development of different parts of the country, extension of the benefits of economic progress to the less developed regions so that they were enabled to come up to the level of the rest, and widespread diffusion of industry (p. 142). The Fourth Five-Year Plan regretted that not enough was done during the first three Plans to reverse the continuing tendency of new enterprises to gravitate towards the already over-crowded areas because of the richer infrastructural endowments. It pointed out that in several cases enterprises had been inappropriately sited. The disadvantaged regions remained unable to reap full advantages of development initiated in other parts of the economy. The desired adjustment in the regional locations of industries had not materialised. The normal economic forces were overwhelmingly in favour of the already developed areas. The Plan hinted at the need for the economic integration of the tribal areas with the rest of the economy (as distinct from the need for social integration of the scheduled castes). It charted the course of industrial development with a view to bringing about industrial dispersal (pp. 11, 16, 25, 27,-28, 310-311). The Fifth Five-Year Plan regarded a pronounced accent on the development of the backward areas as helpful to the process of diffusion of incomes to the underprivileged sections of our society.

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The measures suggested by these successive Plans comprise (I) Decentralised industrial production by adopting the programmes for the expansion of the village and small-scale industries as well as for planned urbanisation by means of positive assistance (such as provision of loans to local businessmen and industrialists at relatively favourable terms, recourse to fiscal weapons to induce the inflow of private capital, etc.) and by administering disincentives for the decongestion of the metropolitan areas, (2) Promotion of new enterprises as development nuclei or foci in the less developed areas by obviating their basic comparative disabilities through the provision of economic and social overheads, with priority to the dispersable and short-gestation projects like irrigation. (3) Establishment of industrial estates and areas, rural and urban.

The Fourth Plan (p.11) held it essential for correcting the regional imbalances that the Government exercised greater command over the economic resources of the country by mobilising private savings and making available part of the additional mobilisation in the form of loans to the private and public sector enterprises and by controlling profits through setting up financial institutions. The financial institutions are supposed to provide the mechanisms by which the savings generated in one sector or region could be made available for investment in other sectors or regions (the *Draft Fifth Plan*, pp. 56, 59, 63). The purposeful policies of the national financial institutions and nationalised banks informed by social norms can play a leading role in the development of an economy by controlling the allocation of finance, particularly long-term finance.

In the course of a threadbare analysis of the problem (pp. 17-18, the Fourth Plan comes to the conclusion that the problem of imbalance in development as between States is highly complex". Differences in development between State and State arise out of variations in activity in three sectors, namely, co-operative, private and public. The development of the co-operative sector is related to the strength and coverage of co-operatives in a State. The internal resources of the co-operatives depend on this factor. It is even more important in the case of those co-operatives which obtain financial assistance from the national financial institutions (including the Reserve Bank).

The activities of the private sector turn on the extent of entrepreneurship available within the States and the resources commanded by it as well as on the infrastructure and other developments within a State conducive to the development of such activities. How far it would be able to attract entrepreneurs from outside rests primarily upon the services and facilities available within it. To a limited extent can this be stimulated by special concessions given by the financial institutions.

The public sector outlays are provided for the programmes of (a) building up the infrastructure or of conservation and development

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of natural resources and (b) for the direct entry of the State in the industrial or other productive activity. These outlays can foster development and diversification of activity in all the three sectors within a State. They may partly make up for the lack of development in the first two sectors. But the achievements of these ends hinge on the quantum of the financial resources of the State and their proper utilisation by the Government. Availability of resources with the State Governments is the heart of the matter. It is in this regard that the financial institutions can help them. But this, in turn, is contingent upon the economic strength of the State and the efficiency displayed in the management of its affairs, specially financial. The Centre can help a State in three ways, viz., (i) allocation of Central assistance, (ii) location of Central projects, and (iii) adjustments in the procedures and policies of the national financial and other institutions. The first may help to the degree that the deficiency of resources in a State is not due to the defects of management. The second is already accepted wherever such deliberate placement is possible. The recent decisions in respect of the third would go a long way in encouraging additional private public sector investment in the backward areas.

The financial institutions can perform a number of other functions with the active support of the local development and promotional agencies so as to supplement the efforts of the Government at various levels. These encompass assistance to the block-level authorities in screening project ideas intensively on a district-wise basis, identification of potential promoters and their training in well-structured courses in order to motivate them to be able entrepreneurs.

In India the financial community consists of the commercial banks, the term-lending financial institutions and others. Eighty-two per cent of all branches of the banks are in the public sector and their share in the aggregate deposits held by the organised banks amounts to eighty-four per cent. Leaving aside the commercial banks in the public sector, there are in this sector several major financial institutions at the all-India level, specialising in specific fields corresponding to the type of development finance they provide to the parties, e.g., Industrial Finance Corporation of India (IFCI), Life Insurance Corporation (LIC), Unit Trust of India (UTI), Industrial Development Bank of India (IDBI), Credit Guarantee Corporation (CGCI), Industrial Reconstruction Corporation (IRC), Industrial Credit and Investment Corporation of India (ICICI), Agricultural Finance Corporation (AFCI) and Agricultural Refinance Corporation (ARFI). Other less important ones are : National Industrial Development Corporation, National Co-operative Development Corporation, Rural Electrification Corporation, National Small Industries Corporation (NSIC), Export Credit and Guarantee Corporation, and Housing and Urban Development Corporation. In addition, there are eighteen State-level financial institutions, besides corporations or boards for the development of industry, agriculture, power, housing etc.

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According to the Banking Commission (see its *Report*, Bombay, 1972, pp. 27-28), one aspect of the monetry policy in India has been to create financial institutions for filling certain credit gaps in the system. One such gap related to the supply of term credit to the industries. The commercial banks met the short-term credit requirements, though they also met part of the term credit demand of the industries indirectly by subscribing to their shares and debentures, underwriting their issues and "rolling over" short-term credit. Hence, two sets of measures were taken to solve this problem : (1) To set up institutions specialising in term credit and (2) To induce the banks to expand such credit.

The Reserve Bank credits a portion of its retained earnings to the long-term operations funds and channels them for agricultural and industrial investments, chiefly through the term-lending institutions. Its loans are available to the State co-operative banks for participation in the share capital of the co-operatives.

The Wanchoo Working Group (in its Report "*Fiscal And Financial Incentives for Starting Industries in Backward Areas*", New Delhi, April 1969) noted that the distribution of funds by the various financial institutions had not served the cause of industrial dispersal in any appreciable manner. Sixty-two per cent of their total credit had gone to metropolitan cities. The distribution system was faulty. There was a need for making them conscious of their role in extending finance to the industries about to be set up in the backward areas on a preferential basis and at a concessional rate of interest. Their lending policies had to be reoriented so that they finance not only the viable but also the potentially viable schemes in these areas. The National Development Council accepted the above recommendation and directed the public financial institutions accordingly. They were advised against advancing funds in an undue proportion to the large industrial houses as this aggravated the regional imbalances (*Fourth Plan*, p.309).

In the *Explanatory Note* (given ahead) the States and Union Territories have been classified into three groups : *Group A* comprises the less developed States, *Group B* more developed ones, and *others* the remaining more or less developed ones. But the more developed States also contain less developed (notified) areas or districts. However, for a comparative study we have decided to limit ourselves to the State level.

Turning our attention first to the contribution made by the scheduled commercial banks to the mitigation of the regional imbalances, we find that there is heavy concentration of deposits and advances in a few States, which follows inevitably from the concentration of industrial and commercial activity in the large cities (see *Table 1&2*). The more developed States received two and a half times more credit than the less developed ones from the public sector banks for the

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development of their priority sectors (see *Table 3*). Under their 'lead' role these banks are trying to act as "consortium lenders" with a view to bringing about a co-ordination of co-operatives, commercial banks and other financial institutions in their respective districts in the interest of lead district development.

The ICICI, which assists the private sector enterprises by providing finance in both rupee and foreign currencies in the form of long- or medium-term loans, etc., gave the less developed States only 8.1 per cent of its total assistance (see *Table 4*). Although 127 projects were assisted in the backward districts, a majority of them were located in the more developed States. A large part of the assistance consisted of foreign loans, followed in the descending order by underwriting, rupee loans, direct subscription and guarantee.

While keeping in view its basic objective of promoting a rapid development of industries, the IDBI has endeavoured to see that the impulse and the benefits of development are well spread out among all the regions in the country. Its promotional activities are calculated to attain the two-fold goal of balanced regional development and acceleration of industrial growth. For the first the following steps have been undertaken : (a) identification of the projects located in the backward areas, (b) industrial potential surveys of the backward States, (c) implementation of the identified projects, (d) finalisation of certain guidelines for the follow up of the projects, (e) identification of entrepreneurs, (f) development of entrepreneurial and managerial talents, (g) technical assistance, (h) establishment of technical consultancy service centres, (i) appointment of a working group to suggest possibilities of integrating the State-level corporations concerning industry with the activities of the IDBI, and so forth. For the second, the IDBI has been operating two schemes of concessional finance : one, to provide concessional refinance to the SFCs/ banks in respect of eligible loans upto Rs 20 lakhs to the small-and medium-sized projects, and two, to provide direct assistance on concessional terms to the new and expansionary projects in the specified backward districts. Concessions under this provision were available to the projects where the total cost did not exceed Rs. 1 crore. During 1972-73 certain modifications were made in this provision. The amount of assistance, for instance, has been raised to Rs. 3 crores (including Rs. 1 crore as underwriting assistance.)

During 1972-73, 5.9 per cent of the direct assistance sanctioned on concessional and normal terms was in respect of the industrial concerns situated in the backward districts as against 4.6 per cent during 1971-72. The proportion of assistance by way of refinance to these areas rose from 24 per cent during 1971-72 to 33 per cent during 1972-73 (see IDBI, *Annual Report 1972-73*, pp.26-27), But *Table 5* shows that only 20.9 per cent of the total sanctioned financial assistance went to the less developed States, whereas 72 per cent went to the more developed States and 6.4 per cent to others. During July

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1964 to June 1973, the assistance sanctioned to the less developed States amounted to roughly 25 per cent of the total. The break-up of sanctioned assistance was as follows : (1) loans (other than for export), (2) loans for exports, (3) underwriting and direct subscriptions, (4) refinance of industrial loans, (5) refinance of export credits, and (6) rediscount.

Since its establishment, the IFCI has been recognising the need for achieving dispersal of industry so as to remove the regional imbalances and has played its part in imparting an impetus to the industrialisation of the less developed areas. It cannot wholly ignore the criterion of the viability of projects since that is embodied in the terms of its charter. It has offered concessional finance and launched a number of promotional activities. The salient features of the concessional finance are : (1) concession in the rate of interest, (2) a longer initial grace period and an extended amortisation period depending on the merits of each case, (3) a reduced margin of security, (4) a lower contribution by the promoters to the cost of the project and larger participation by the IFCI in the equity and perference capital of the assisted projects, (5) a 50 per cent reduction in the Corporation's normal service charges in the case of commitment charge, underwriting commission, non-refundable examination fee for vetting the loan applications and legal charges, (6) fixation of the over-all ceiling in respect of loans extended on concessional terms from the Corporation individually at Rs. 1 crore (unless other institutions also participate and extend concessional finance upto Rs. 2 crores). and (7) permitting these concessions to the industrial units in addition to the subsidy or grant offered by the Central Government to these units in certain selected less developed areas or districts. As *Table 6* shows, out of the cumulative financial assistance (Rs. 464.24 crores) sanctioned by the IFCI upto the 31st December, 1973 spread over 651 industrial projects, nearly 29.2 per cent (Rs. 135.4 crores) covering 186 projects have gone to the notified less developed areas. The more developed States have received proportionally more. The percentage of the notified less developed areas has been equal in both categories of the States. The number of projects in the less developed States is just half that in the more developed ones.

The IFCI has explicitly accepted the viewpoint that concessional finance is not able to reach the destination of industrialisation of the erstwhile less developed areas and it must be reinforced by a battery of promotional measures, such as (1) identification of proper ideas, (2) preparation of parliamentary feasibility studies, (3) search for managerial and entrepreneurial talents, (4) preparation of detailed project reports, (5) critical evaluation of projects from the national point of view, (6) financial assistance for the projects, (7) managerial and technical assistance for project implementation and operation, and (8) special attention to projects which run into difficulty and require to be rehabilitated.

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During 1972-73, 53.56 per cent of the total sanctioned financial assistance from the IFCI went to the more developed States. Only 25.11 per cent went to the less developed ones. 21.33 per cent was shared by others. On including the assistance to the less developed States, as contained in the group 'others', the percentage of total assistance to the less developed States (all) works out at 31.6 (see *Table 7*). *Table 8* discloses that upto June 30, 1973 of the total finance sanctioned by the IFCI to the industrial co-operatives like sugar, cotton and others in the different States, as much as 70.4 per cent was claimed by the more developed States, the less developed ones receiving only a puny share (at 19.1 per cent).

Promotion of the infrastructural facilities has been adjudged to be more effective in speeding up the pace of long-run growth of the less developed areas or States and hence to be more suited to the income equalisation objective in relation to the different regions. From this angle the part played by the LIC is most notable. The break-up of the investments made by it according to the major heads shows purchase of stock-exchange securities (e.g., Central and State Government securities and other approved securities), of shares and debentures of companies and co-operatives, loans to the State Governments and municipal committees for housing, water and power schemes, to the sugar co-operative and co-operative housing finance societies, to the industrial estates, the investment trusts, etc. But the distribution of investments as between the States is not equitable, whether we look at the figures for 1969 or for 1973 the more developed States continue to obtain 53 to 54 per cent, whilst the less developed ones have to content themselves with 35 to 36 per cent. *Table 9* testifies to this fact.

The UTI underwrites and directly purchases new capital issues, besides extending financial assistance to the enterprises. *Table 10* brings out that while the financial assistance given by it to the less developed States during 1970-71 was 57.5 per cent of the total, during 1971-72 it came down to a bare 17.9 per cent. On the other hand, between these years the financial assistance to the more developed States rose from 38.6 per cent to 69.8 per cent. This conclusion would hold with greater force if the data under the 'others' category were also considered.

Table 11 bears out that 60.3 per cent of the aggregate financial assistance sanctioned by the five term-lending financial institutions, viz., ICICI, IDBI, IFCI, IRCI and UTI during 1971-72 went to the more developed States; only 24.8 per cent went to the less developed ones; and the others got just 14.9 per cent.

Lastly, it appears from *Table 12* that the more developed States secured from the NSIC during 1969-74, machines (on hire-purchase basis) equal to 55.2 per cent of the aggregate value. The less developed ones secured very little, only 16.6 per cent of it. Those more or less developed of the third group got 28.2 per cent.

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In sum, all these tables have the same story to tell us : that a very substantial proportion of the loans advanced and the investments made by the banks and the term-lending financial institutions went to the more developed States. The less developed ones were supplied with a very small part of the whole. Likewise, the share of total assistance going to the backward areas or districts in the more developed States seems to exceed that going to those in the less developed ones. Nevertheless, there are indications that gradually this discrimination would lessen. These findings relate to industry. We can add a few qualifications to them by stressing the following aspects of the problem : Firstly, a good many activities initiated by the term-lending financial institutions, by their very nature, produce significant results only over a period of time because most of them are time-consuming. Secondly, measures taken hitherto ensure a prompt and timely response from the entrepreneurs, technical consultants and other agents have not been sufficiently strong. These institutions have been complaining of a glaring lack of applications for projects located in the less developed States or areas viable technically and financially. Thirdly, where the infrastructural facilities are not developed, neither entrepreneurial talent nor finance has been of any solid help. This is more so in the sphere of agricultural planning.

Thus the AFC has associated itself with the efforts at stabilising and increasing agricultural production in the drought-affected areas in different States by taking advantage of the changes in techniques which have emerged there. It works in close concert with the State Governments as well as the commercial banks in helping them identify projects, formulate and appraise them, especially the innovative ones (such as the drought-prone area programme, comprehensive area development projects, command area development, tribal development, forest development, water recources and land development). The State Governments and the commercial banks, largely the non-nationalised member banks with a rural base, have been increasingly drawing more and still more on the services of the AFC in these realms. The AFC sanctions finance for diverse types of agricultural schemes, trains the bank personnel and involves itself in the lead bank schemes. It has recently set upon itself the task of assisting in the formation and expeditious implementation of the integrated projects in the less developed States. It proposes to strengthen and consolidate its position in relation to its manifold activities by working in strict harmony with the commercial banks and the ARC, which serves as a refinancing agency for medium-and long-term finance for agricultural development open to the State co-operative banks, credit land development banks and scheduled commercial banks. The inadequacy of extension services had stood in the way of an effective utilisation of the finance released by the banks for the development of agriculture. There has prevailed a delusive thinking that once the commercial banks have sanctioned funds for some kind or other of the schemes mentioned in the Plans, results would follow automatically (see

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Statement of the Chairman, AFC, at the Sixth General Meeting held on June 28, 1974).

The ARC has been trying to diversify its lending geographically and to increase the flow of long-term credit to the less developed States in the country. The prospects of a general line of credit from the International Development Corporation (IDA), which would cover lendings not only under minor irrigation but also land development, plantations and farm mechanisation, would enable the corporation to achieve a better regional spread.

The commercial banks have now been involved on a larger scale in the less developed States. They have been assigned a definite and expanding role in the IDA-assisted programmes (e.g., minor irrigation, apple-processing and marketing, command area development etc.). The corporation has placed a greater reliance on them in the States where the co-operative credit system is weak, since the flexibility in regard to the procedural details and security considerations gives them an edge over the latter. They are at the same time in a position to deal with the needs of the farmer in their totality for crop production and term loans. In the case of the co-operatives the farmer is required to approach two unlinked sets of institutions for the two purposes.

The corporation has initiated a number of measures for speeding up the pace of development in these States, viz., strengthening of the staff of the regional offices in these States to undertake promotional work, establishment of two consultancy units at Lucknow and Calcutta with a view to identifying and assessing the potential for development, and help the banks in the formulation of schemes and constant dialogue with them so as to fill the credit gaps, etc.

While in Andhra Pradesh there has been a drop in the requirements for assistance for minor irrigation, in Bihar, Madhya Pradesh and Uttar Pradesh there has been a spurt in them. The latter now account for 32 per cent of the total commitments and 20 per cent of the total disbursement. A breakthrough is visible in these States. The response to the efforts of the corporation is significant in Rajasthan and Orissa but the results are yet to come. There are no signs of breakthrough in Assam and Himachal Pradesh. An evident constraint is the reluctance of the farmers to accept institutional finance for the developmental purposes in place of the subsidised but limited government funds given without insistence on prior appraisal and ultimate payment.

With a view to stimulating the member banks to finance the agricultural development programmes in the less developed States the corporation has decided to provide refinance to them upto 90 per cent of the financial assistance for all schemes other than those relating to minor irrigation.

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The table given below reveals that during 1963-74 nearly 58 per cent of the total refinance disbursed by the corporation was claimed by the more developed States; the less developed ones obtained about 33 per cent. This was because of the inadequacy of infrastructural facilities and strong land development banking practices in the latter category. Development had a tendency to get concentrated where the potential was patent to the inquiring eye and the farmers were more progressive and so less inhibited.

State-wise Disbursement of Refinance by the ARC during 1963-74

(In percentage)

States	*Percentage of total*
Group A	
Andhra Pradesh	10.47
Assam	0.42
Bihar	3.16
Himachal Pradesh	0.01
Madhya Pradesh	4.18
Orissa	0.18
Rajasthan	2.19
Uttar Pradesh	12.36
Group B	
Gujarat	13.81
Haryana	9.72
Maharashtra	10.20
Punjab	10.56
Tamil Nadu	13.27
West Bengal	0.13
Group C	9.44

Source : ARC, *Eleventh Annual Report 1973-74.*

The aim of the corporation is "not just to lend (or create more institutions and departments) but to provide one element of the growth package" by promoting minor irrigation, reforming the co-operatives and spearheading the market yards and the command area in order of importance through the linking of credit with the new technology and viable marketing as well as the integration of the extension services and the developmental activities embarked upon by the financial institutions, including research at all levels.

Reviewing the contributions made by the financial institutions so far towards the redress of the regional imbalances, we find that the

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impact of the concessions and incentives offered by them has been far less in evidence on the less organised counterpart of the private sector, which is intrinsically least amenable to them. Secondly, it has to be realised that the total resource-mobilisation has been extremely inadequate in relation to the needs. These institutions must intensify their efforts on the front of mobilisation of rural savings. Thirdly, in a broad sense these institutions can operate at high levels only when the Central Government makes adequate resources available to them. Fourthly, in so far as during the short-run the economic considerations have necessarily to be given due priority in view of the paucity of funds, the regional problems cannot enlist all the attention of the planners. Conflicts of a regional character can be resolved only in terms of a long-term plan that fits different regions into a wider design of national development. Fifthly, the financial accommodation from these institutions must be both speedy and adequate. Finally, appropriate techniques of assessing their own progress must soon be evolved by these institutions. These criticisms apart, it cannot be denied that the growth and fortification of the framework of these institutions has added enormous flexibility to the development of savings and the finance raised by the private sector companies from these institutions is generally two to three times that done by them from the capital market. These institutions have started financing the public sector companies as well on an increasing scale (*Commerce Year-book of the Public Sector in India, 1973-74*, p. 52).

TABLE 1

State-wise Distribution of Deposits and Advances of Scheduled Commercial Banks

(As on the last Friday of December 1972)

States	Average Per Office (Rs. 000's)	Deposits Per Account (Rs.)	Average Per Office (Rs. 000's)	Advances Per Account (Rs.)
Group A				
Andhra Pradesh	30,67	1,582	26,51	5,689
Assam	49,95	2,461	45,43	39,358
Bihar	69,99	3,250	36,22	32,526
Himachal Pradesh	35,32	2,413	4,71	15,989
Madhya Pradesh	31,47	2,166	16,20	13,162
Orissa	31,99	2,477	22,79	11,474
Rajasthan	26,08	1,771	14,17	13,559
Uttar Pradesh	52,73	2,335	22,05	19,964

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Group B				
Haryana	37,19	1,976	37,09	33,762
Gujarat	52,26	2,155	33,21	23,386
Maharashtra	1,07,93	3,336	80,55	38,734
Punjab	56,45	2,447	18,52	21,420
Tamil Nadu	34,89	1,080	38,13	6,498
West Bengal	1,48,41	3,055	94,92	53,246

Source : *Reserve Bank of India Bulletin*, January 1974, pp. 113-114.

TABLE 2

State-wise Credit-Deposit Ratio of the Scheduled Commercial Banks according to Sanction

States	*Credit-deposit Ratio*
Group A	
Assam	45.3
Bihar	28.1
Madhya Pradesh	46.6
Rajasthan	48.6
Orissa	43.8
Uttar Pradesh	36.9
Group B	
Gujarat	56.4
Haryana	51.4
Maharashtra	83.8
West Bengal	75.1

Source : *Reserve Bank of India Bulletin*, op. cit.

TABLE 3

Public Sector Bank Credit to the Priority Sectors

Percentage of total credit to Priority Sectors

States	June 1969	September 1972
Group A		
Andhra Pradesh	7.7	7.0
Assam	0.4	—
Bihar	1.1	3.0
Himachal Pradesh	0.002	0.008
Madhya Pradesh	3.0	0.3

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Orissa	0.3	0.6
Rajasthan	1.4	2.3
Uttar Pradesh	7.2	9.0
Group B		
Gujarat	7.8	10.0
Haryana	1.6	2.5
Maharashtra	23.5	25.0
Punjab	3.2	3.6
Tamil Nadu	18.5	12.0
West Bengal	5.5	7.0

Source : *The Journal of the Indian Institute of Bankers*, October-December, 1973, p. 318.

TABLE 4

State-wise Distribution of Financial Assistance by the ICICI for the Backward Regions as on March 31, 1972

(As Percentage of Total)

States	Percentage
Group A	
Andhra Pradesh	9.1
Assam	4.1
Bihar	0.2
Madhya Pradesh	0.6
Orissa	13.5
Rajasthan	2.7
Uttar Pradesh	3.9
Group B	
Gujarat	8.0
Maharashtra	13.0
Punjab	0.1
Tamil Nadu	9.6
West Bengal	10.7
Others	
Kerala	1.3
Mysore (now Karnataka)	13.0
Goa	5.8

Source : ICICI, *Annual Report, 1971-72*.

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TABLE 5

State-wise Distribution of Sanctioned Financial Assistance by the IDBI

(In percentage of total)

States	During 1972-73	During July 1964-June 1973
Group A		
Andhra Pradesh	3.5	4.3
Assam	1.5	2.2
Bihar	4.4	3.9
Himachal Pradesh	0.2	0.1
Madhya Pradesh	2.7	3.8
Orissa	1.4	1.8
Rajasthan	1.9	1.9
Uttar Pradesh	5.3	3.9
Group B		
Gujarat	5.9	10.7
Haryana	2.8	1.9
Maharashtra	21.4	26.9
Punjab	3.1	1.0
Tamil Nadu	13.4	13.5
West Bengal	27.1	12.4
Others	6.4	21.7

Source : Annexures VII & VIII, pp. 72-75, *Annual Report 1972-73* of IDBI.

TABLE 6

State-wise Distribution of Cumulative Financial Assistance given by the IFCI as on December 31, 1973

States	Percentage of financial assistance sanctioned to total assistance	Number of notified less developed districts (areas)	Number of projects
Group A			
Andhra Pradesh	4.0	8	1
Assam	2.5	3	5
Bihar	4.5	3	5
Madhya Pradesh	4.1	4	5

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Orissa	3.7	2	5
Rajasthan	6.8	2	5
Uttar Pradesh	6.5	10	15
Group B			
Gujarat	7.5	7	16
Haryana	1.1	2	3
Maharashtra	14.7	9	25
Punjab	0.6	1	1
Tamil Nadu	11.3	7	24
West Bengal	13.8	5	29
Others	18.9	18	37

Source : IFCI, *Assistance to Industrially Less Developed Areas*, New Delhi, 1974, p. 11.

TABLE 7

States-wise Distribution of Financial Assistance by the IFCI for the year 1972-73

(In percentage of the total)

States	Percentage
Group A	
Andhra Pradesh	5.43
Bihar	2.14
Madhya Pradesh	1.63
Orissa	3.31
Rajasthan	2.14
Uttar Pradesh	10.81
Group B	
Gujarat	4.76
Haryana	2.50
Maharashtra	35.15
Punjab	0.11
Tamil Nadu	6.61
West Bengal	4.76
Others	21.33

Source: IFCI, *25th Annual Report*, June 1973, p. 27.

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TABLE 8

State-wise Distribution of Financial Assistance to the Industrial Co-operatives upto June 30, 1973

States	Percentage of the whole
Group A	
Andhra Pradesh	6.6
Assam	1.3
Bihar	1.3
Madhya Pradesh	1.1
Orissa	2.2
Rajasthan	5.9
Uttar Pradesh	5.3
Group B	
Gujarat	9.5
Haryana	1.0
Maharashtra	51.0
Punjab	3.0
Tamil Nadu	5.9
Others	10.5

Source : IFCI, *25th Annual Report*, June 1973, p. 32.

TABLE 9

State-wise Distribution of Investments by the LIC as on March 31, 1969 and March 31, 1973

States	As Percentage of on March 31, 1969	Total Investments on March 31, 1973
Group A		
Andhra Pradesh	7.19	6.90
Assam	2.59	2.39
Bihar	6.38	6.21
Himachal Pradesh	0.03	0.10
Madhya Pradesh	3.53	3.77
Orissa	4.73	4.38
Rajasthan	4.05	4.65
Uttar Pradesh	7.22	7.68
Group B		
Gujarat	8.38	9.87
Haryana	1.08	2.75
Maharashtra	20.63	17.26
Punjab	3.03	3.58
Tamil Nadu	9.32	10.02
West Bengal	11.63	9.63
Others	10.21	11.01

Source : *Reports for the years ended 31st March, 1969* and *31st March, 1973*, Appendices IV, Statements 2, of the LICI.

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TABLE 10

State-wise Distribution of Assistance Sanctioned by the UTI

(In percentage of the total)

States	During 1970-71	During 1971-72
Group A		
Andhra Pradesh	—	2.6
Bihar	46.7	11.3
Madhya Pradesh	1.8	—
Orissa	3.6	—
Uttar Pradesh	5.4	4.0
Group B		
Gujarat	11.1	22.0
Haryana	0.9	—
Maharashtra	14.9	20.6
Punjab	—	0.6
Tamil Nadu	8.1	16.6
West Bengal	3.6	10.0
Others	2.7	11.9

Source : IDBI, *Annual Report 1977-72*, p. 66.

TABLE 11

State-wise Distribution of Financial Assistance Sanctioned by the Term-financing institutions (viz., ICICI, IDBI, IFCI, IRCI and UTI) during 1971-72

States	As percentage of total assistance by all
Group A	
Andhra Pradesh	3.0
Assam	6.1
Bihar	5.0
Himachal Pradesh	0.2
Madhya Pradesh	2.5
Orissa	1.1
Rajasthan	2.4
Uttar Pradesh	4.5
Group B	
Gujarat	16.9
Haryana	3.0
Maharashtra	18.8
Punjab	1.3
Tamil Nadu	14.7
West Bengal	5.6
Others	14.9

Source : IDBI, *Annual Report 1971-72*, p. 66.

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TABLE 12

State-wise Delivery of Machines by the NSIC during April 1, 1969 – March 31, 1974

States	Percentage of total value delivered
Group A	
Andhra Pradesh	5.4
Assam	1.2
Bihar	1.5
Himachal Pradesh	0.3
Madhya Pradesh	3.1
Orissa	0.7
Rajasthan	3.2
Uttar Pradesh	11.2
Group B	
Gujarat	15.8
Haryana	8.7
Maharashtra	14.8
Punjab	3.5
Tamil Nadu	8.8
West Bengal	3.6
Others	28.2

Source : Personal communication from the office of the NSIC, New Delhi

An Explanatory Note

When we rank the States in the descending order of their per capita incomes, being the average of 1963-66 at the current prices, as shown in the publication of the Planning Commission, Government of India called "*Identification of Backward Areas Report of the Working Group*" (New Delhi, February 1969), we find the following order : Punjab, Maharashtra, West Bengal, Gujarat, Haryana, Tamil Nadu, Assam, Andhra Pradesh, Mysore, (Karnataka), Kerala, Madhya Pradesh, Rajasthan, Orissa, Uttar Pradesh, Jammu & Kashmir, and Bihar.

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A private study (Federation of Indian Chambers of Commerce and Industry, *Planning for Results*, New Delhi, September 1972) gives that order on the basis of per capita income of 1969-70 at 1960-61 prices as follows : Punjab, Haryana, Gujarat, Maharashtra, Himachal Pradesh, West Bengal, Tripura, Kerala, Tamil Nadu, Assam, Mysore, Orissa, Andhra Pradesh, Manipur, Jammu & Kashmir, Madhya Pradesh, Uttar Pradesh, Rajasthan, Bihar, and Nagaland.

In the IFCI's publication entitled *Assistance to Industrially Less Developed Areas* (New Delhi, 1974, p. 11) Andhra Pradesh, Assam, Bihar, Himachal Pradesh (p. 29), Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh are termed as the industrially less developed States. According to the *Sixth Annual Report (1973)* of the Agricultural Finance Corporation Ltd. (p. 17), the less developed States are Bihar, Tripura, Himachal Pradesh, West Bengal, Assam, Orissa and Rajasthan. For a comparative estimate of the level of industrial and economic development among the States or regions the *Third Plan* (see p. 152) advised us to have the computation of income originating within the State or region, i.e., domestic product of the State or region as the bases. The estimates of income accruing to a State, i.e., the State income are to serve as a broad measure of the economic welfare of the residents of the State as a whole. However, for want of data on the former, we are using the latter on per capita basis for our study.

In this chapter we propose to use the term 'more developed States' for those States which have higher per capita incomes and the term 'less developed States' for those States which have lower per capita incomes. We do not propose to use the terms 'industrially advanced States' and 'industrially backward States' since this distinction is derived from the occupational distribution of the population data, which is of more questionable value than the estimates of per capita income. Furthermore, the expression 'States' subsumes the expression 'Union Territories' in this chapter.

We have decided in the light of the foregoing facts to treat Andhra Pradesh, Assam, Bihar, Himachal Pradesh, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh as the 'less developed States' and to treat Gujarat, Haryana, Maharashtra, Punjab, Tamil Nadu and West Bengal as the 'more developed States'. '*Group A*' will denote the former and '*Group B*' the latter. The group designated as '*Others*' will contain the rest, more or less developed States.

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PART THREE

THE BIHAR ECONOMY: A CASE STUDY

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Three Decades of Planning in Bihar : A Study in Non-Performance

Bihar has the lowest per capita income of all States in India. Its per capita income has not only not kept pace with that in the country but also shown a relative decline over the years. The gap between the two has widened. The per capita income of Bihar, which was 25 per cent below the national level in 1950-51, had declined to over 40 per cent below it in 1975-76. In 1977-78 per capita income in the State was estimated at Rs 735 (at current prices), as compared to the all-India average of Rs 1,163. Bihar's share in national income had slumped from 8.21 per cent in 1950-51 to 6.67 per cent in 1975-76. The average annual growth rate of the Bihar economy during the period from 1950-51 to 1975-76 was 2.75 per cent, as against the national average of 3.60 during the same period. The level of development in all sectors has continued to be lower than the national level. The disparity between the State and all-India averages has been glaring enough but it has been more marked when compared with those of some other States. In spite of the Five-Year Plans the State has gradually slid down the national ladder and is at present the most backward State. The people of Bihar have shown a stupendous capacity to suffer their poverty in silence. Industrialism and the use of modern techniques have touched only limited segments of the State economy but the level of productivity and that of income in them have not necessarily been high when compared with the positions in other States.

Part of the increase in total State income has been eaten away by the increase in its population and got reflected in a slower rate of growth of per capita State income. Bihar, the second most populous State, had in 1981, 69.82 million persons (35.86 million males and 33.96 million females), according to the provisional Census counting. The density of population has risen from 324 in 1971 to 402 in 1981 per sq. km. Bihar had retained its seventh place in this regard. Its position in respect of literacy is twenty-seventh among the twenty-nine States.

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Rapid population growth in Bihar is intimately associated with the present increase in agrarian tension in the State. It has rendered the struggle for survival increasingly "elemental". The erosion of the traditional means of employment at a much faster pace than the generation of the new means thereof has aggravated the problem. Bihar continues to be a pocket of poverty in India. Destitution is most acute in it, being inextricably connected with the high proportions of small farmers and landless labourers. Nearly 64 per cent of its population is at present below the poverty line —a figure far above the national average. The number of persons suffering from hunger and malnutrition is staggering.

Both in rural and urban areas expenditure on food accounts for a substantial proportion of total consumer expenditure—about 77 per cent for the urban and 80 per cent for the rural areas. Clothing, fuel and light each accounts for about 5 per cent in both areas. The distribution of consumer expenditure is relatively more equal. For 1973-74 the Lorenz co-efficient for distribution of consumer expenditure was estimated at 0.29 for the rural household sector and at 0.31 for the urban. The extremely low level of income was responsible for this.

In 1977-78, on a typical day, between 79 and 93 lakh persons were unemployed in Bihar (excluding those who were underemployed). Food stocks, when depleted, caused a setback to the Food-for-Work Programme (rechristened as the National Rural Employment Programme). One discernible effect of the programme has been on the general level of wages in the rural areas, which has moved up in recent years. For this the Minimum Agricultural Wages Act is also partly accountable. But such "jacking up" of the rural wages cannot enhance the bargaining power of rural labour for long unless supported by provision of greater opportunities for productive employment in the sector.

Bihar's economy is predominantly rural. Agriculture is its mainstay. The contribution of agriculture and allied activities to its total domestic product, though large, has remained stationary around 50 per cent. Village and small industries are, by and large, non-existent or decadent. Rural stagnation and immiseration are widespread. The only accessible source of employment to the vast rural population is agriculture. The percentage of workers engaged in it increased from 77 per cent in 1961 to 80.4 per cent in 1971. Productivity of agriculture being exceedingly low, rural incomes are abysmally low, and so are rural savings and investment. The vicious circle goes on.

The agricultural sector in the State did not show any sign of progress during the first two decades of planning. It was clearly premature in 1970 to speak of a Green Revolution, except "in a carefully qualified sense with respect to wheat." Bihar has remained

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deficit in food. It is dependent on other States and the Centre for meeting the deficit. Increasing expenditure on food means a leakage of income from the State. To an extent, the State's dependence on outside sources has retarded its effort in the direction of attaining self-reliance in this vital field. The story of Bihar's famine in 1967 is "the story of man's failure to husband Nature's resources to his own use".

The net cropped area at the moment in Bihar is around 8.4 million hectares, of which approximately 2.8 million hectares are in Chotanagpur and Santhal Parganas. The average yield of paddy in the State is 1,023 kg. per hectare.

Experimentation with the high-yielding varieties (HYVs) of wheat, paddy, bajra, maize and jowar had occurred prior to 1970 in Bihar. However, the HYVs of paddy, Bihar's principal food crop, covered only 7,05,558 acres in 1969-70 for want of enthusiasm and because of their susceptibility to disease under the State's climatic conditions. Even the coverage of the new varieties of wheat was not so extensive in 1969-70, only 1,19,369 acres having been planted with the HYVs.

Rabi maize has had far more spectacular success in the State. Against 2.5 tonnes per hectare in Punjab, the yield in Bihar has ranged between 5 and 6 tonnes. Half of India's 3 lakh hectare area under this crop is in North Bihar. In the years to come it may even replace wheat as the principal winter crop in that part of the State. Inter-cropped with pulses and oil-seeds, maize brings forth 75 per cent more income than wheat, besides huge quantities of green fodder.

Although the recent trend in the incidence of poverty are not quite distinct, yet the hard core of rural poverty is to be met with in the families of landless labourers, small farmers, rural artisans, scheduled castes and tribes, and other economically backward groups (the so-called weaker sections). The poorest 40 to 45 per cent of such people live in conditions where labour is meagrely rewarded either owing to demographic pressures or due to the perpetuation of archaic relations of production, or live in agro-climatic conditions under which yield levels in agriculture have remained static over decades.

The "winds of change" have been blowing and have affected the village-dweller in most areas of the State. Even in small villages one notices motorable roads, electric lights, telephones, schools, dispensaries, post-offices, trucks and buses. The average villager has developed a refined taste and likes to have transistor radios, bicycles, terylene shirts and trousers, better quality soaps and detergents, brought from the nearby towns and cities. Many more men and women are now better dressed and smarter, neater and tidier. Wheat is eaten in what were formerly exclusively rice-eating areas. The pressure on

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food supply does not relent even in years of record harvests. This is so on account of the fact that whereas the upper and middle strata of the rural population are almost surely eating better than ever before, the bottom one-third succeeds in doing so at least in some months of the year, though in the lean seasons they are hard put to it.

The infrastructural facilities continue to be woefully inadequate in Bihar. The length of surfaced roads for every one lakh of population is only 33.3 km. as against the all-India figure of 90 km. The economic development of the State has been held up considerably due to the slow and tardy development of road communication. The development of rural roads has been largely neglected. There are extensive areas in the plateau sub-region which do not yet have proper railway communication. The railway communication between the highly mineralised plateau region and the densely populated North and South Bihar plains is not sufficiently effective. There are formidable hindrances to the movement of substantial quantities of coal and other mineral products by rail from the plateau districts to the plain districts, especially those of North Bihar. This restricts the industrial expansion of the State. Except for the partial conversion of the metre gauge into broad gauge, the aggregate railway route length has remained constant for the last two decades and more. Human cargo spilling over the roofs of trains (also buses, for that matter) is a common sight in Bihar.

Per capita consumption of power in Bihar in 1977-78 was about 89 units against the national average of 119 units. In North Bihar it was as low as 17 units. Nearly 85 per cent of the villages were yet to secure power connections. The installed capacity of the different thermal and hydel plants of the State Electricity Board is 676 MW. The estimated demand is 550 MW. In May 1981 power generation was 311 MW. The State capital faced the worst ever power crisis in living memory. Water supply in the urban areas, which is linked with power supply, suffered most. People reeled under the gruesome heat. Productivity was impaired. In the district towns the residents got power hardly for half an hour. Despite this, the State Government claimed an improvement every day. In January 1981 it publicised the information that foreign experts and specialists from Delhi had been brought in for the planned maintenance programme of the two thermal power stations at Barauni and Patratu, that an additional outlay of Rs 10 crores had been incurred over the increased wage-bill of the workmen of the Board in the hope that happy and contented workers would give their best to increased power generation, and so on. On the contrary, in a fact-finding report a Central team subsequently diagnosed the sickness of the Board to "a very low level of discipline among its employees". The situation was so bad that officers were afraid of taking action against defaulting junior employees. "Overtime" was the order of the day, which connoted little work during the working hours. When overtime was stopped,

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sabotage of the plants was frequently resorted to by the staff.

It is imperative that the functioning of the State Electricity Board is thoroughly investigated to find out the ways and means of rooting out mismanagement and ending underutilisation of the installed capacity. The Board has been apathetic and callous towards the genuine grievances of the consumers. The State Government cannot disown its responsibility. Often the power plants develop mechanical defects, some out of sabotage. The transmission and distribution system, which is already overstretched, entails heavy transmission losses and voltage fluctuations. The majority of electric installations in Bihar are thermal, resulting in high cost of production and hence high energy tariff—perhaps the highest in North India—leading to resentment on the part of industrialists and redress thereof through the sanction of an electricity subsidy. The thermal sets were imported from Russia and other foreign countries and in the event of breakdowns non-availability of spares compounds the difficulty. Besides, there is theft of conductors, spares, cable, etc., by the staff, slow unloading of coal; shortage of diesel, pilferage of good quality coal and use as input of inferior quality coal; half-hearted maintenance of the plants and supply lines; and so forth. But the worst is the colossal theft of power. By bribing the officers and staff of the Board private persons manage to obtain most of the power they need. The transmission losses are inflated for the purpose. Their percentage is maximum in Bihar at 25, whilst the plant load factor is the minimum at 37 per cent. The power industry is perhaps the single biggest source of political patronage and fund collection. In this nefarious operation not even the public industry is spared and agriculture and domestic users are starved. Power accounts as it does for only 3 to 5 per cent of the total input in an industry in terms of money, but it is nowadays the most vital input. Moreover, it is many times cheaper to get power from the Board's grid in an unauthorised manner than to set up captive power plants. This loot of public money in Bihar is fully in keeping with the level of corruption in the State. One proof of the Board's inefficiency is that all schemes in its hand for augmenting the generation capacity of the plants are much behind the schedule. Finally, the Board is in the red interminably. At the end of 1979 it owed Rs 313 crores out of the State's outstanding loan of Rs 532 crores. In addition, Rs 391 crores were overdue for recovery including interest of the order of Rs 165 crores. It is high time that by taking appropriate steps in a phased manner (such as a proper tariff structure) the Board ensures an adequate return on the enormous investment in the power industry.

In spite of the expansion of banking in the State in the last few years Bihar remains an under-banked State, compared to other States. An average Bihari seldom appreciates the maxim that for being gay tomorrow on has to be grave to-day.

In 1974-75 per capita expenditure on medical care and public health in Bihar was the lowest in the country being Rs 4.93 against

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Rs 10.44 for all States; that on education was the lowest, being Rs 15.87 against the all-India figure of Rs 25.74; that on social welfare too was the lowest being Rs 1.81 against the national average of Rs 4.02; and lastly, that on administration and police was the second lowest being Rs 8.60. The base of hospitals and dispensaries was small, more particularly in the tribal areas. Towns, small and large, wallowed in filth and squalor; mosquitoes recorded the highest rate of growth, causing health hazards, making work and rest extremely difficult, and lowering people's efficiency. At all levels of education the quality had kept deteriorating on account of overcrowding, inadequacy of staff and other facilities, politically motivated conversion of private institutions into the State ones, automatic promotion of teachers to superior posts, total failure to enforce a code of conduct on the part of the employees, unending indiscipline and chaos, corrupt practices in examinations and evaluation of scripts and in the appointment of the staff. Caste and group politics had made heavy inroads into the academic institutions. The universities had become the hot-beds of the meanest sort of politics; they had been parochialised. The teachers used students; so did the political parties—with a view to embarrassing the Government and the rival parties as well as to strengthen their own organisations and radius of influence. The agitational behaviour of the students was largely an expression of the will of others, whipped up by "off-campus" forces. The office of vice-chancellor, who was also supposed to be the academic head of a university, became an object of political patronage. With a change of Government, the vice-chancellors had to quit, for they remained at the pleasure of the Chancellor, the Governor. Good performance was punished and bad one rewarded. The only angle from which the masters judged a person was his caste or his party affiliation or his connections with themselves. The over-all situation was beyond redeem or repair. Everybody knew this but no one really bothered.

Sub-soil water is more easily available in Bihar than in most other States. So far as the fertility of soil is concerned, it is one of the best in the country. The utilisable surface water resources have been estimated at 68.20 lakh hectare/metres (excluding those which can be utilised through the construction of dams outside the State) and ground-water resources at 27.33 lakh hectare/metres. The ground-water resources are bound to grow with increase in irrigation area. Only 83.65 per cent of surface and 87.38 per cent of ground-water resources will be available for irrigation purposes and the rest for other purposes.

The development of the immense ground-water resources began to receive special attention only after the severe drought of 1966-67. In 1970, between 20 and 30 per cent of the net area sown was irrigated by the major and minor irrigation projects in India, whilst in Bihar the figure was hardly 15 per cent. The development of ground-water resources offers exactly the type of instant and controlled irrigation

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(that is, push-button irrigation) which the new HYVs of seeds require. Water losses and wastages are also nominal under it. The extension of minor irrigation facilities will be speeded up, if the Government is in a position to forge ahead with its rural electrification programme. Secondly, consolidation of land-holdings is essential, if the tube-well movement is to spread in Bihar as it has done in Punjab and Haryana. Thirdly, many small holdings even in localities where irrigation is common, are not irrigated because their operators have neither the security of tenure nor the access to credit for undertaking improvements in their holdings. Share-cropping is an obstacle to a fuller utilisation of the irrigation potential. The Verghese study discloses that under share-cropping in the Kosi area all the inputs are provided by the share-croppers. Yet they have to surrender half of their produce in each season to their landlords. Those who insist on their legal rights face ejectment. But there is another reason to it when the *rabi* season is in question. The land under share-cropping usually remains uncultivated during that season also for the fact that the cultivation of wheat, for instance, costs more compared to the cultivation of paddy. Hence the share-cropper might have to borrow money on usurious terms. In the case of large farms (of 15 to 20 acres) wheat-growing becomes difficult due to the simple fact that only two to three weeks' time is left after the winter paddy harvest for preparing the land and sowing wheat, using scrub bullocks for draught power, which is too short for the task. Absentee landlordism is also partly responsible for this. Fragmentation of holdings coupled with absentee landlordism prevents proportionally more utilisation of the irrigation facility by larger farm holdings.

The countervailing power of the Kosi irrigation scheme and the package of new practices it has ushered in have had one salutary effect, namely, the watering down of age-old traditions and turning the mind of the peasantry class towards change. Only marginal increments have been engendered in agricultural productivity and net income and employment in the households in the protected area. The water-table has risen to such an extent that it has created problems of water-logging and siltage in more areas than have benefited by the irrigation net-work. But this is not peculiar to the Kosi River Command Area; it is so with all the river command areas in Bihar. Desiltation-cum-road-cum-plantation operations should be launched. The silt excavated from the canals could be used to build, widen, improve and strengthen the canal road to construct village approach roads.

Inordinate delay has taken place in the completion of the major river-valley projects. Apart from this, the realisation of the irrigation benefits has not been commensurate with the investment made owing largely to this factor. The irrigation rates have been fixed on the low side, although in this there is not the remotest idea of soaking the rich cultivators. It is necessary that the water rates are refixed at such a level that the irrigation projects are not a draft on

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general revenues, except for unproductive projects in the scarcity areas.

The occurrence of flood has been almost an annual feature in North Bihar. In recent years the incidence of floods has been severe in South Bihar as well. The average annual damage to the State from 1960 to 1976 has been valued at Rs 42.1 crores. About 30 per cent of the total area of the State having about 40 per cent of its population is afflicted by inundation almost every year. The flood damage in Bihar constitutes 20 to 40 per cent of the total damage in the country. It strains the State exchequer considerably and has a shattering impact on the State economy. Huge expenditure has to be incurred on relief works. Human suffering is incalculable.

The menace of soil erosion is on the increase and nearly 19 lakh hectares of forest land are subjected to severe soil erosion during rains.

Bihar is characteristically a State of villages and its development invariably implies rural development. But rural development efforts in the State have not "trickled down" or "percolated" to small tillers of land (those with holdings between 2.9 and 9.9 acres). There were in 1970-71, 1,39,000 holdings of over 25 acres but 79 per cent of all holdings were less than 5 acres in size. The landholders with 24 acres or more had derived the major benefits from the development activities of the Government. The teeming millions in the rural areas had derived few benefits and experienced a decline in their economic and social status relative to that of the elites. The result was, to quote Jannuzi, "an accumulation of political and economic polarization". In certain parts the erstwhile zamindars had shed their feudal character and taken to money-lending and direct cultivation through hired labour. Tractors have been introduced by farmers and ex-intermediaries possessing large holdings explicitly for the sake of curtailing their dependence on share-croppers and casual labourers but their percentage is not as high in Bihar as, say, in Punjab and Haryana.

In 1980 total consumption of fertilisers in Bihar was 1,84,395 tonnes. The private traders in fertilisers have not been gearing their operations to the needs of the small cultivators. Instead they have set up a distribution machinery that relies exclusively on the traditional landholding elites. The small cultivators do not have easy access to the Government certified HYVs of seeds.

Bihar was the first State to initiate agrarian reforms through the enactment of legislation to abolish the zamindari system. But in the words of Jannuzi, it is "possibly the least successful of all in that and other agrarian reforms". The gulf between articulated ideals and solid accomplishment is nowhere as conspicuous as in that State— "extravagant in verbiage but almost meaningless in fact", raising the peasants' expectations rather than fulfilling them. Political and caste

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considerations have motivated local officials in their anti-land reform attitudes. The absence of the basic land records and the collateral information has stood in the way of the implementation of an effective land ceiling policy. "Lack of political will and a sense of despair engendered by the sheer immensity of the task and reference to the costs, trained manpower and time involved, especially in view of the report to the courts" have defied action. The agrarian laws have been blatantly evaded through calculated attempts by the traditional landholding elites to retain control over the land and to deny new rights in land to those below them in the rural hierarchy. The most urgently needed reform is to give security of tenure to the tenant. The share-cropper can be made credit-worthy if the existing system of share-cropping is replaced by a fixed land rent that permits him to retain the entire increase in the produce that results from the adoption of more efficient agricultural practices by him. The prevalent "climate of fear and insecurity" is a serious impediment to the dissemination of the new agrarian technology.

In Bihar "land owned is wealth; it is prestige; it is power. When the landless labourers have demanded land and adequate wages, they have been suppressed by the vested interests. As the hunger for land becomes more intense, the rural masses become more restless, and the Government finds itself less able to cope with the situation. New coalitions are being formed to challenge the political and economic power of the traditional, landholding elites. The Land-Grab Movement of 1970 in the State was a pointer in this direction. It called upon the vested interests "to respond to the newly awakened or to face the prospect of demands that are backed by militant action".

The gulf separating the landholding elites and the masses of the peasantry is the widest in Bihar. "To live at the margin of subsistence is the way of life for the majority of the Bihar peasantry". But, as Cassen has laboured to show, it is easy to organise the rural poor to fight their oppression by the vested interests. Bihar represents a society in which the conflicting interests interact. "Coupled with the rigidities of caste, it has created an effective barrier to spontaneous or organised revolt despite the burdensome and often cruel conditions of life of the great majority". This explains the seeming, deceptive stability of the country-side. The rural leadership is provided by scions of the old zamindars' families and the elected *mukhiyas* in gram panchayats—the rural elites, who, besides manipulating the levers of power, also dominate all institutions and control field functionaries. In other words, the conduct of economic policy is concentrated in their hands and the weaker sections cannot be their sacred charge.

All the same, a new elite is appearing in the rural areas under the aegis of the new educational and electional policies, which is critical of the authority and influence of the traditional elite. But at present the cleavage between the two is deterring economic reconstruction.

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Bihar is the "sick" State of India. Its social scene is torn by strife and confrontation. Tensions are rife in those regions where the new profit-seeking classes have acted with brutality. For large numbers of people rural life has become less and less secure in terms of law and order and of livelihood. The Indian village of to-day is not an integrated community. In fact, it has perpetually warring classes of people. It is the scene of plunder, killing and loot. It is a favourite hunting ground for dacoits and criminals.

A cult of violence has lately gripped the countryside. Numerous incidents of economic exploitation and social repression have been reported, particularly in those areas which scheduled castes and scheduled tribes inhabit most. These sections of society have organised themselves and fought back but they have been ruthlessly crushed by the vested interests with support from outside. The coal belt in Bihar is virtually ruled by mafia-type gangsters, who freely indulge in extortion and clandestine business, violence and murder, with blessings from the politicians, who share in the booty.

Bihar is unrivalled in India in casteism. It is divided into forward and backward classes, which are further sub-divided into castes, and these castes within each set of classes are at logger-heads. But the backward classes are far less malleable than the forward classes. The politically dominant and vocal backward classes are tending to grab the lion's share in all opportunities which are assigned as the quota of the backward classes. While the under-privileged castes are asserting for certain rights and dignities which traditions have denied them so far, the privileged castes are sharply reacting against this by giving vent to their anger, horror and sense of outrage.

The dream that the village panchayat will resolve all rural issues has been dashed to pieces inasmuch as the leadership thrown up by elections to it is caste-based and faction-ridden. Caste solidarity has proved to be more important than political affiliation. The Government is formed on caste basis. Castes have their quotas in all prestigious appointments. Even educational opportunities are shared strictly on caste lines. Bihar's leadership puts caste to a tremendous use, which is to promote its own interest and then to employ its political and social power to better the lot of its own caste men, as V.K.R.V. Rao has candidly remarked. The caste conflict has overshadowed the class conflict. It may take ages to reverse the process. This is a phenomenon that must be widely appreciated and measures devised to counter it. Biharis are typically sentimental, emotional people. They are unrestrained in both their love and hate. They deify their caste leaders. In Bihar even a proven criminal and offender has supporters among his own caste. The industrial proletariat too in Bihar is riven on caste lines. The more educated a Bihari is, the more caste-minded he is. He will go on sniffing about to spot out his caste brethren even in the public places and feel happy only when he has thus succeeded. The value of the caste

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multiplier in capturing of jobs is simply incredible. Naked, unchiselled casteism is like a legal tender everywhere in the State.

Institutional reform in agriculture in Bihar has become co-ordinate with the application of the co-operative principle. But co-operatives meet only 16 per cent of the estimated short-term credit requirements of the agriculturists. They are so weak that "they are dysfunctional as instruments of rural development". They cannot be banked upon for satisfying the credit needs of the common peasants in adopting the new technology. They are usually run by the locally dominant caste in each area and their activities are marked by distribution of favour on the basis of caste and political considerations. This is but a reflection of what is happening at the top. It is from those at the top that casteism flows and it flows downward gaining momentum at each level. Unless one is born in a socially and politically dominant caste or is related or known to those in the reins of administration, and unless one does *Pairvi* for practically every thing, one has no prospect in Bihar. With passage of time new elites are springing up even in those strata of society which were until recently recognised as weaker or backward, whereas a new poor class is being created among those sections that were dubbed as prosperous before and are now minorities (or the new "untouchables" for those who are ruling the roost) are getting carved out of the backward classes consequent upon monopolisation of opportunities and privileges by those resourceful among them. To borrow Jannuzi's words, "The needs and fears of the people of Bihar are so diverse that conflict is more easily assured than consensus on almost any issue that confronts them."

A latest study has noted, "The Co-operative Department is developing into a big empire for unscrupulous politicians and their subservient and cringing officials. There are still thousands of derelict and bogus societies which continue to exploit the facilities offered by the Government on the basis of 'pocket' societies; elections are held and some permanent fixtures keep on occupying top positions in one apex society or the other through manipulation. Bihar was one of the first States to take up the co-operative movement but today due to large-scale corruption and bungling the whole thing is virtually in a shamble". Nearly three-fourths of the borrowers from the co-operative societies divert their loans to other purposes. Some borrowers are traders-cum-money-lenders. Notwithstanding the passing of debt redemption laws, for want of an adequate and effective system of credit including credit for consumption, the moneylenders still exploit the poorer sections of the community. The bonded labour system persists and adds to their misery and plight. The co-operative sector gets credit from the Reserve Bank at 4 per cent rate of interest but by the time it reaches the farmers it shoots upto 9 per cent. Generally, the small farmers repay their loans better than the big ones.

The financing of non-conventional borrowers in the agricultural

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sector signifies a shift from the traditional concept of credit-worthiness to a system founded on the concepts of technical feasibility, economic viability and the repayment capacity of the borrowers. From the reports available it is evident that the commercial banks in Bihar have failed to give a good account of themselves in the agricultural sector. Their credit-deposit ratio for rural operations has often indicated a diversion of resources from the rural to the urban areas. Loan recovery has been disappointing. Most defaulters come from amongst the rural rich rather than from the poorer sections.

The low level of recovery of loans already advanced and the security-oriented approach of banks and other financial institutions for granting loans affect the flow of funds into the rural economy. Recycling of credit is an imperative of the process of expansion. In the case of co-operatives the State-level apex Co-operative Bank gets refinance from the Reserve Bank on the basis of their recovery performance. Because of the problems associated with and the high cost of granting loans directly to the farmers, the banks primarily fund the co-operative societies, which, in turn, offer assistance to the agriculturists. But many banks now feel that they have burned their fingers by financing the co-operatives.

On the whole, however, neither the co-operatives nor the banks reach down to the lowest sections of the rural population. Direct bank finance is offered to those who own some tangible assets to offer as collaterals. These sections are mostly bereft of them and have therefore to fall perforce into the iron-grips of the traders-cum-money-lenders.

The volume of inter-State migration of population in Bihar is relatively small. Over 90 per cent of the population stays in the home districts and is immobile even in the agricultural slack seasons. The intra-State movements of the population are by no means uniform among the districts. They have tended to be more towards Chotanagpur, particularly those from North Bihar. The Damodar Valley urban centres have attracted rural population both from inside and outside the valley. Agricultural labourers, many of whom are women, have moved from the unirrigated to the irrigated regions within the district. Migration has been recorded also from the upper catchments to the lower deltaic regions, thereby adding to the already high density in the latter area.

Aside from the small minority of workers, who are permanently industrialized (and hence urbanized), the army of industrial labourers in Bihar mainly consists of four classes, viz., landless labourers, village artisans, village menials and small cultivators.

Previously there used to be an enormous exodus of Bihar's landless labourers to the neighbouring States like Assam (in its tea plantations) and West Bengal (in its factories, mills, dock-yards, etc.).

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But currently West Bengal offers limited employment opportunities to Bihari labour. Of course, Assam continues to provide some employment but more of it in road construction and other activities. The Assamese and the Bengalees have taken increasingly to manual labour. Nowadays, emigration from Bihar is largely westward to Delhi, Haryana, Punjab and Rajasthan, where they are employed in the cultivation of land and construction works and as porters, vendors, green-grocers, domestic servants, rickshaw-pullers, and so on, and earn handsomely. Nonetheless, in some pockets there the problem of bonded labour is raising its head.

Although Bihar has over nearly one-third of the total mineral deposits of the country, abundance of agricultural raw materials, a big market for a large number of consumer goods, and some of the biggest industries of the country, yet it is an industrially backward State, with merely 5 per cent of the workers engaged in the organised sector, as against the all-India average of 10 per cent. The growth of the un-organised sector of the industry has not been satisfactory in spite of the incentives and concessions provided to its units by the Government. According to a recent survey, out of 36,000 small-scale units, about 20,000 units were closed and 10,000 units were sick because of procedural bottlenecks, negligible allocation of raw materials, acute power shortage, paucity of finance, want of the Government orders for their products, non-implementation of price preference of 15 per cent over the large and medium-scale units, fierce and unfair competition from the large units which managed to corner the supplies of scarce raw materials and usurp incentives meant for the small units because of their money power, political patronage and capacity to win over corrupt and unscrupulous officials, etc. The development of ancillary and auxiliary industries around the large-scale industries has not received the expected fillip. During 1972-80 such industries registered a reasonable progress only in the vicinity of the Bokaro Steel Plant in the wake of a number of steps taken by the plant itself.

Broadly speaking, the extremely low level of Bihar's underdeveloped economy with all its attendant traits, the colonial approach of those who have established industries in the State and who run them (especially the impression they produce, i.e., that they do not belong to the State), the national policy of pooled prices for the basic minerals denying Bihar any locational advantage despite their abundance (an instance is the priority given to other States in the haulage of coal by rail), and the rank discrimination against the State practised by the all-India financial institutions in sanctioning assistance to the industries located in it (to substantiate, during the period 1969-70 to 1975-76 the total assistance sanctioned was Rs 96.52 crores, 4.5 per cent of the total assistance to all States, the share of Maharashtra being 22 per cent and those of Gujarat and Tamil Nadu each 12 per cent) are some of the outstanding factors that have held the clue to the low level of industrialisation in it.

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The present State Government declared the entire State in 1980 as backward for the purpose of granting capital subsidy to those entrepreneurs who proposed to set up their units in it. This was an extraordinary feat. The Central Government had identified a few districts as backward. Instead of choosing its own list of indicators of backwardness and assigning weights to them in consonance with its own value system, the State Government dispensed with the exercise and by one stroke of the pen recognised all districts as backward. In so far as some districts in the State are far behind others in respect of industrialisation this policy measure might aggravate intra-State imbalances, though not much, for, if past experience is any guide, this would flop similarly. Other subsidies (for installing captive power plants, for example) have been promised to give an impetus to industrialisation. But there are complaints that the promised incentives are not extended to the entrepreneurs due to lack of follow-up action and co-ordination among the agencies concerned, lack of political will and bureaucratic apathy, under-staffing of the Industries Department and the district industrial centres, and so forth. While the glib talk and paper publicity go on, the State is virtually facing de-industrialisation.

The position of the State Government's undertakings has gone from bad to worse. 39 out of 50 are running at substantial losses, while similar enterprises in some other States are earning good profits. These white elephants heavily erode the State's financial resources.

The Centre has made maximum investment in the State in its (public sector) undertakings. On March 31, 1977 per capita value of property (gross block) thus invested was Rs 445 in Bihar, Rs 196 in Gujarat, Rs 142 in Haryana, Rs 125 in Maharashtra, Rs 146 in Punjab, Rs 113 in Tamil Nadu and Rs 173 in West Bengal. On March 31, 1980, 17.35 per cent of the aggregate public sector investment (Rs 18,161 crores) by the Centre was in Bihar, followed by Madhya Pradesh (12.28 per cent). The contribution of these projects to net output and their spread effect on the economy has not been of any great moment. As a commentator surmised figuratively, "Bihar has suffered from the massive investments in public sector projects. Even the jobs in these concerns go to the outsiders. The State is a grazing ground for the stray cattle of the whole country." The new townships exist in absolute isolation, having tangential affinity with their surrounding areas.

An important reason for the very slow growth of output and income in Bihar is the low level of investment under its Five-Year Plans compared to the size of its population and the scale of its backwardness. Per capita Plan outlay during 1951-79 was Rs 479, the lowest in the country, the all-India average being Rs 734. The figures for Punjab, Haryana and Gujarat were Rs 1,666, Rs 1,671 and Rs 1,032 respectively. According to another estimate, the percentages

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of the State income spent by the Third Plan, the Fourth Plan and the Fifth Plan in Bihar were 1.63, 0.98 and 3.57 respectively. The average percentage spent by all States during the Fifth Plan was 5.

The Central assistance for the State's Plans has been very inadequate. The resource transfer through the Finance Commission and the Planning Commission has not been adequate enough to bridge the gap of disparity between the richer and the poorer States. The table given below vividly portrays this :

Plan Period	*Per Capita Central Assistance for Bihar*	*Per Capita Central Assistance for all States*
	(Rs)	(Rs)
First Plan	5.00	24.00
Second Plan	18.75	26.00
Third Plan	43.60	55.00
Fourth Plan	57.00	99.00
Fifth Plan	37.00	57.81

The Central assistance, which formed nearly 63 per cent of the total Plan outlay in the Fourth Plan, had come down to about 25 per cent in the Fifth Plan.

In 1977-78 per capita tax revenue collected in Bihar was Rs 40, which was one of the lowest in India. The corresponding figures for Uttar Pradesh, West Bengal, Madhya Pradesh, Gujarat, Maharashtra, Punjab and Tamil Nadu were Rs 53, Rs 87, Rs 62, Rs 124, Rs 141, Rs 174 and Rs 87 respectively. In that year the percentage of tax revenue to net domestic product in Bihar was 5.78. The figures for the same States were 6.94, 7.64, 7.19, 10.13, 9.74, 10.32 and 8.76 respectively.

Between 1964-65 and 1975-76 tax revenue in Bihar increased threefold. Taxes on commodities and services accounted for the bulk of tax revenue. Their share steadily rose from 65.5 per cent in 1964-65 to about 78.2 per cent in 1975-76. The share of taxes under other categories (e.g., taxes on income and on capital transactions) fell from 34.5 per cent to 21.8 per cent. The fall was chiefly under taxes on income (the only example being agricultural income tax) and land revenue. Revenue from stamps and registrations increased, though their share in the total revenue remained more or less stagnant around 10 per cent. The share of land revenue declined from 24 per cent to 12 per cent.

Revenue from sales tax (the most important single source of revenue) expanded constantly and its share in the total showed a perceptible increase from 35.2 per cent to 45.5 per cent. Although the existing rates of sales tax in Bihar were generally higher than those

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applicable in most other States, yet the per capita sales tax in the State continued to be one of the lowest in the country due to its low per capita income, slow growth of industrial output and a narrow urban sector. In 1979-80 sales tax per head in Bihar was Rs 29.98, as against Rs 58.65, the average for all States.

Revenue from State excise duty showed an encouraging improvement and its share in total tax revenue went up from 13.9 per cent to 16.2 per cent. Revenue from entertainment tax rose, though its share in total tax revenue remained more or less static at around 3 per cent.

Revenue from the State's own non-tax sources (forests and royalty on minerals) did not appear to be adequate. As said above, the State sector enterprises did not contribute to the revenue of the State Government; they were an incubus on its general budget instead.

During the period under review the proportion of Bihar's own tax revenue declined from 46 per cent to 37.5 per cent. In respect of non-tax revenue there was a marginal diminution. On the other hand, the State's share in the Central taxes increased from 22.4 per cent to 32.4 per cent. The grants-in-aid to it from the Centre rose marginally.

Land revenue in Bihar has often remained suspended because of floods and droughts or was cancelled on holdings of smaller sizes. Agricultural income tax has been struck off the list.

The State Government levies cess on all minerals quarried in the State. The cess varies from 60 per cent of royalty rate in the case of lime-stone to 100 per cent in that of copper. The cess rates on iron ore and coal ore are 80 per cent each. As the minerals exported from the State to other States and abroad are exempt from sales tax, the State has to incur a huge loss. It is not recompensed by the Central Government with a share in export duty or through a grant in lieu. Because of branch transfer also no amount of sales tax accrues to the State Government. Till recently a paltry sum of about Rs 15 crores ensued annually to it from royalty on the minerals. To exemplify, while the price of coal had doubled from Rs 70 a tonne in 1975 to Rs 140 a tonne in 1981, the royalty on it had declined. Bihar accounted for Rs 500 crores worth of coal production every year but its income from the royalty and cess was Rs 40 crores only. Were the royalty to be levied on *ad valorem* basis, its revenue would be stepped up appreciably. Only recently has the rate of royalty on coal been revised and cess on minerals enhanced. The imposition of consignment tax on minerals would further augment the revenue.

Bihar has not been able to secure its forthright share of funds from the banking system. The increase in advances by commercial

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banks has not been compatible with the increase in deposits. "The incremental credit-deposit ratio during June 1969 to June 1976 worked out to only 47.5 per cent for the State, as against the all-India ratio of 76.5 per cent. The position with respect to the total credit-deposit ratio was more or less similar. The ratio in June, 1976 was only 43.5 per cent for the State, as compared to 76.8 per cent for India. It follows from these data that deposits made in the State were utilised mostly outside it and it was denuded of funds for investment in its development projects.

Passing on to the expenditure side, the first thing that strikes us as a serious handicap is the heavy outlay on the provision of welfare services to the scheduled castes and scheduled tribes, which together comprise 32.7 per cent of the total population of the State. Whereas the scheduled castes are concentrated in North Bihar, the scheduled tribes are concentrated in Chotanagpur. The present Government has embarked upon certain welfare policies with unusual exuberance and on an unprecedented scale that are likely to be anti-growth, counter-productive and to deepen the economic crisis, sap the base of the State economy and thereby threaten its stability eventually. The ministers are pluming themselves upon what seems to them to be the politics of development, while, in truth, they are indulging in the economics of ruin. They are seeking a reprieve from the imminent trouble through the rhetorics of planning. But actually, by overdoing it in their bid to appease and placate all sections of people who agitate for more and better terms and conditions, they appear to be treating the public purse as if it were their own private purse and mortgaging the future of the State and hastening the arrival of its doomsday. Their impecuniosity is depleting the coffers of the State. Neither the penny nor the pound is wise; both are equally foolish to those who run the Government of Bihar. Their financial prodigality is rapidly degenerating into financial imprudence. A pound is being disbursed where a penny could do. The Government is wont to exempt the whole class of defaulters from the payment of their dues to the primary co-operative societies and to pay this amount to the institutions through the exchequer. This is to be viewed with alarm, since it is bound to vitiate the climate of recovery and encourage wilful defaults. Jobs have been created for several thousands of persons, irrespective of whether they were essential or not, and *sinecures* have been appointed. This action has been stoking the fire of inflation. The recent social security scheme for the old and the infirm, the physically handicapped (i.e., blind, crippled, dumb), the widows and the disabled, the bonded labourers and the tribals is to cost Rs 100 crores annually but this is an underestimate, to be sure. It is to be implemented speedily. It carries with itself sumptuous rewards and severe punishments. This target-oriented approach will surely prompt the staff to act in an indiscriminate manner (as was the experience under the sterilisation programme) thereby wasting much of the effort. The State Government has also

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announced an unemployment allowance scheme for the educated unemployed. The take-over by the State Government of the private schools and colleges (only the few unlucky ones are excluded, but they would also manage it before long), the decision to accord teachers promotion after specific periods of service without screening their performance in the interim period, the liberal grants to organisations holding conferences, and all the rest of it, are measures that would unfailingly put the economy under severe strain and expedite its collapse. Needless to point out here that India's poorest State, Bihar, is top-most in the country in the establishment of the welfare State in all its various forms on such a wide scale, besides being alone in respect of many of them.

Bihar has been desired by the Planning Commission to raise Rs 600 crores more internally for its Sixth Plan. The scope for increasing revenue by stepping up tax rates or widening the tax base is limited in Bihar. Most avenues of boosting revenue have been exhausted. With growth in the State income and by means of streamlining the tax machinery (Bihar is notorious also for letting dues accumulate with influential persons), a modicum of buoyancy might be achieved in taxation.

Contribution to the market loans floated by the State Government comes almost exclusively from the all-India financial institutions. It is high time that some rational principles are evolved by the Reserve Bank of India and the Government of India in determining the size of such market borrowings by the Bihar Government. The adoption of such principles will put an end to the prevailing uncertainty and will also guarantee a measure of justice to the State.

Toynbee described the process of socio-economic change as "one of challenge and response". This process is yet to gather momentum in Bihar. In that State the political will to tackle the various problems in real earnestness has been missing. This accounts, in part, for the weakness of the instruments chosen. The net result has been what someone noted rather pungently, "Bihar represents all the ills that dog India's development in their acutest form". Not much can be hoped for in a State in which the administration is in the doldrums. Its only sole object has been transfers and postings, some of which have yielded enormous sums of money to the politicians, for example, those of the engineers of the executive or superindendent rank, or even doctors. It is the political and administrative corruption in Bihar which has given it "permanent notoriety throughout the country". Bihar, which constitutes together with Uttar Pradesh, "the fountain of the political power-grid of India" also constitutes with that State "the fountain of corruption, of all that is evil and reprehensible in our political culture and in our social structure". Instances of the modern "god-fathers" of the people getting involved in cases of bribery and corruption have gone on multiplying.

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Discipline everywhere has reached its rock-bottom. Officers dare not enforce discipline and code of conduct or insist on quality or co-ordination for fear of violence, including murder or threat to murder. They remain eternally scared. The person at fault may be holding the lowest post in an office but he has his protector, who may be a political big-wig. Only those who do not have such protectors can be punished, if at fault. They can even otherwise be victimised or harassed. There have been reports disclosing that those officers, who should have been rewarded, have been punished and humiliated, and conversely. Personal loyalty and subservience has overshadowed merit and integrity; accident of birth has prevailed over accent on calibre. As Palkhivala has put it outspokenly, "Men have been appointed to high public offices not because of what they were but because they represented a particular caste, class, clan, community or region...Ignorance, incompetence and dishonesty have been no bars to high public offices".

The 1978-79 Report by the Comptroller and Auditor-General of India on Bihar is a "tale of wasted resources". It demonstrates how efforts had been relaxed to push through the Plan projects. Incidentally, it also explains the fall in the Central investment in the State's industry and mining from 28 per cent of the total Central investment in these sectors in the country during the Third and the Fourth Plans to 11.3 per cent in the Fifth. As much as Rs 62 crores or 4 per cent of the budget provision remained unutilised in 1978-79 due to slow implementation of works, posts remaining vacant, non-investment in co-operative societies, etc. Out of the supplementary grants of Rs 325 crores in 1978-79, as much as Rs 93 crores were only partially utilised. The Centre had allotted Rs 4.09 crores under the half-a-million jobs programme. Of this, Rs 3.32 crores were drawn and transferred to different executing agencies, which continued to retain large unspent balances owing to non-implementation or partial implementation of the schemes entrusted to them. The generation of employment was far below the reported figures but there was no follow-up to assess the impact of the Government assistance on the financial condition of the assisted people. Statements of accounts for all types of funds were not obtained. Detailed survey and investigation was not done before certain river reservoir projects were sanctioned. Their designs and specifications had to be revised subsequently pushing up their estimated ones.

The crying need of the hour is to muster political will for action and mass credibility by restoring to the administration integrity, honesty and efficiency as well as by properly recognising such qualities. With this end in view the administration must be tightened. The brute caste spirit must be completely banished and those guilty of practising it must be suitably punished. The present framework for district-level planning which is extremely wasteful and uncoordinated must be overhauled and restructured. Those departments which are hamstrung by shortage of staff must be reinforced. The policy formulators

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must have a proper social perspective. They must not shut their eyes to the growing tension and discontent between haves and have-nots everywhere. They must note that short of social justice, economic growth will encounter fierce opposition and short of economic growth, social justice will be unattainable. The economic background to the existing conflicts is being sharpened by the relatively slow rate of growth, particularly the inadequate expansion of employment opportunities. The heightened political consciousness of the voter has been accompanied by the growth of a greater egalitarian sentiment. The ordinary peasant must enjoy security of tenure, should be immune to rack-renting and must have access to credit and modern inputs. The land records must be accurate and up-to-date. Consolidation of holdings must succeed. If any genuine economic success is achieved, it would impart a sense of confidence to everybody. Money should not be wasted on cheap publicity, for mere fireworks cannot deliver the goods. Systematic evaluation of economic progress should become a normal administrative practice in all branches of public activity. Lastly, casteism and corruption, indolence and indiscipline must go if the Bihar economy is to catch up with the more prosperous States in India. The existing situation calls for the use of a sledge-hammer, let alone the use of a nut-cracker.

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Why does the Bihar Economy lag behind other States?

As Ladejinsky put it, Bihar still conjures up, by and large, "an image of agricultural primitivism and unrelieved poverty". Extreme poverty of Bihar retards its economic growth, and its retarded economic growth reinforces its poverty.

In 1975-76 per capita net domestic product of Bihar, measured at current prices, was Rs 596, which was nearly 60 per cent of the figure for all-India (Rs 1,008). In 1977-78, 57.49 per cent of the total population in Bihar was below the poverty line as against the all-India figure of 48.13 per cent. A latest estimate made by the Government of Bihar puts the percentage at 64, which includes 6.3 million families.

Underconsumption is a life-long experience of the people below the poverty line residing in the countryside in the State during the period between harvests, even when they are good. Poverty is abundantly revealed in under-nutrition and malnutrition of a large number of people owing to inadequate purchasing power and rapid growth of population (at the approximate rate of 2 per cent per annum).

There is huge migration of farm labourers from Bihar to States like Punjab and Haryana (56 per cent of their migrant labour hails from Bihar) due to lack of gainful employment in their home villages and the very high wages earned by them there. Both rural and urban poverty are identifiable with low productivity, low wages and intermittent employment, besides chronic lack of work. Poverty, general and widespread as it is, is more marked among certain economic activities, certain classes and castes, and certain geographical areas in the State.

A study (*Perspective Plan of Industrial Development of Bihar 1979-80 to 1988-89*) by the NCAER completed in November, 1978 showed that economic development of Bihar had been relatively poor

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during 1960-1975. Annual rate of growth in the State income had never exceeded 5 per cent, while the growth in per capita income per annum had rarely touched a figure of 3.5 per cent. Income originating (in real terms) from the agricultural sector, which continued to be the principal source of livelihood for over 80 per cent of the population in the State, had been practically stagnant. During the 1960's agricultural income ranged from Rs 500 to Rs 560 crores (at 1960-61 prices), as compared with Rs 1,190 to Rs 1,240 crores (at 1970-71 prices) during the first four years of the 1970's. Over the period 1960-61 to 1970-71 the price index for agricultural commodities increased by 82 per cent. The growth rate of the entire manufacturing sector was 12.2 per cent per annum for the period 1970-71 to 1974-75. In 1971 around 5 per cent of workers in Bihar were engaged in industry (all-India figure being 10 per cent), and 1.5 per cent of them were engaged in mining and quarrying (all-India figure being 1 per cent).

There was near stagnation in the absolute value of the State income originating from the agricultural sector (at a little over 50 per cent) and in the real income originating from the mining (at nearly 4 per cent), construction, power, transport and commerce sector. But there was an increase in the share of the manufacturing sector from 12.9 to 18.5 per cent. The contribution of the banking and insurance sector increased by 50 per cent. The contribution of the services sector was about 20 per cent. This was a somewhat high percentage.

In Bihar at present neither the industrial sector can bear the burden of carrying the agricultural sector on its shoulders nor the agricultural sector can do the same in relation to the industrial.

Near stagnation in the growth of the agricultural sector and infrastructural facilities appeared to be an overwhelming reason for the relatively low level of growth in the State during the period. "Sound foundations" for "sustained economic progress" have not been provided so far.

A survey conducted recently by a team of experts belonging to the Chotanagpur Chamber of Commerce and Industry reported that although the installed capacity of the Bihar State Electricity Board totalled 775.27 MW (682.50 MW from thermal, 80 MW from hydel, and 12.77 MW from diesel sources), the normal generation of power never exceeded 300 MW, as against the minimum requirement of 600 MW. Moreover the normal load requirement was increasing at the rate of 10 per cent per year.

For the bulk of the population in Bihar the existing levels of consumption are so low that a considerable proportion of the additional output of the economy is devoted to the improvement of living standards. A smaller proportion is left over for development of the stock of capital, material and human. People have been saving

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mostly for their old age or for their children, to quote Keynes' words.

The heavy, long-gestation-period, capital-intensive projects, the so-called levers or catalysts of economic development, which the public sector embarked upon, took much longer to complete and cost a great deal more than anticipated. The benefits were, therefore, correspondingly less and took a longer time in accruing. Moreover, some of the projects on completion were saddled with substantial underutilization, representing a large loss in potential income and potential savings for reinvestment. Added to this, there was a glaring lack of synchronization in inter-dependent projects, leading to delays in the availability of inputs or in the emergence of markets.

Casteism is one of the most formidable obstacles to the social and economic progress of the State. Generalizing extremely it is said: "Scratch a planner and you have a totalitarian." Analogously, it may be said that scratch a Bihari and you have a casteist, exceptions to this generalisation being there, of course.

Bihar being a highly inegalitarian, class-or caste-ridden society, its inhabitants in one class or caste identify among themselves but not with those in another class or caste, and hence the very mechanism of identification actually projects inequalities.

One positive goal of the socialist pattern of society, viz., "the creation of a sense of partnership among all sections of the community" has seldom been sought to be attained in the State. A good many able and honest men have been intentionally debarred from participating in the formulation and execution of public decisions because of their caste or class disqualification. The incident of birth continues to make or mar the career of a vast majority of the intelligentsia class in this most caste-ridden State of India. Even if certain people were to bleach their places of work with their bones serving hard and honestly, they would not get any recognition whatsoever, whereas certain others who are deficient in many respects can rise to any height, things have come to such a sad pass in Bihar. Decisions of all shades and of varying import are tainted by caste considerations. Political ideologies tend to be subordinate to caste dogmas. The great frequency and vehemence of social tensions in Bihar has come seriously in the way of the progress of planning in the State by keeping the attention of the administrators distracted from it.

The "political apathy and backwardness of the rural masses, weighed down by centuries of casteism and economic exploitation and totally dependent on their semi-feudal landlords for such employment as they can get", was hitherto "a most potent stabilizing factor". But these are under heavy odds now as Bihar's population is not only larger but also "more articulate". The recent awakening has brought to the fore pressing claims and expectations. The economic

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problems of the weaker sections of society, especially the need for more opportunities for work, have been thrown into a sharper relief.

In a sense, a large part of the village community in Bihar consists of those who may be described as being economically weak. Their poverty has been a sure road to their serfdom. The landlords prefer to maintain an army of serfs on consumption loans and tenurial uncertainty so as to perpetuate and extend the bondage under which the small peasants, *bataidars* (share-croppers) and landless labourers live. The landlords and the ruling elite between them control the suppressed and unorganized serfs in respect of universal adult suffrage. Thus, economic, social and political power and exploitation go hand in hand, to the shame and detriment of Bihar, as Verghese has painfully observed.

The growth of a new outlook on life and work has been slower in Bihar because of the age-old hold of the feudal and semi-feudal mentality. Female education and cooperative movement too have progressed less, in consequence thereof.

Of late, the villages in Bihar have become the scene of plunder, killing and loot. They are in a deplorable state, both morally and materially. The near collapse of community life and the absence of any sense of belonging together are only too obvious. The persistence of serious social and economic inequalities in the rural areas has given rise to social tensions between different classes and castes. The growing caste war between the upper classes and the leading backward classes as also the conflict among the latter is one significant reason for mounting violence and social tension in rural Bihar. Broadly speaking, agitations have been launched on the issues of distribution of land to the landless workers and increase of agricultural wages.

The problems of share-cropping, landlessness and unemployment have been most acute in rural Bihar. Verghese very aptly remarks that land in Bihar is politics, which in turn is closely related to caste, a vicious circle that has nurtured feudalism and hampered social and economic progress. The political instability of the State in the immediate past was a build-up from those social tensions. But even during the period the Government enjoyed stability the State did not travel much farther on the road to economic progress due to a weak political will to take decisive and firm action. The period was characterized by long years of drift and lack of direction on the part of the Government.

As for corruption at all levels of the Government and outside it, Bihar remains unrivalled. "Corruption appears to be less corrupt as compared to corruption in the State." The attitudes of the people and the pattern of conduct which obtain in Bihar have not been in harmony with the Plan objectives. Very few people work for the good life which

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all can share. Certain norms of behaviour, with accent on restraint, discipline and consideration for others, could not be cultivated and woven into the fabric of the character of the people in Bihar. The Third Plan was candid, "A set of moral and ethical values has governed Indian life for ages past, even though people may not have lived upto them." This is truer of Bihar than of any other State in our country.

The absence of a good and efficient government is a great obstacle to economic progress. As a matter of fact, Bihar has been branded by most outsiders as "a State of non-governance", as one in "perpetual infancy". Whatever is happening in Bihar on its social front is described as "the manifestation of the accumulated sins of the administration", or better, "a fall-out of the situation created by the ruling axis of politicians, criminals and officials". People's faith in the Government and its promises has often been shaken to its core. Keynes had asserted that ideas were more powerful than vested interests. But when in a State like Bihar ideas become the monopoly of vested interests and non-vested interests cease to have ideas, or in other words, refuse to think and react, then who should we hold responsible for such a stalemate or bankruptcy?

The salient features of the prevailing agrarian structure in Bihar are: a landowning gentry which takes no personal interest in cultivation, a preponderance of impecunious small holders with no access to inputs, and a tenantry with no stake in the land. The chronic underemployment of the landless in areas of high population pressure is aggravated by the uneven distribution of water resources, varying holding sizes and tenurial conditions. The crux of the matter is that the land structure is "as inequitous as it is inefficient."

Expert studies by Ladejinsky, Thorner and Verghese conclusively prove that "an inequitous land structure characterized by extensive (even if concealed) landlordism, exploitative share-cropping tenures on oral leases that cover up to 40 per cent of the cultivated area and semi-feudal relations has proved to be a formidable deterrent to the utilisation of irrigation and to higher agricultural production, productivity and employment".

To give a concrete example, although the canals in the Kosi belt have been in operation for quite some years, yet the highest utilisation so far has been approximately 40 per cent of the potential in *Kharif*, 15 per cent in *Rabi* and 10 per cent in *Garma*. This has been imputed to the concentration of land ownership and widespread share-cropping on terms unfair to the share-croppers. Besides, the Green Revolution in the belt was centred around wheat, not paddy (the acreage under which is the highest of all in India). The much-publicised "Kosi Kranti" project has proved "a non-starter" on account of political indecision, bureaucratic indifference and lack of understanding among the people of the benefits of the project.

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The insecurity of tenancy impedes the adoption of the modern agrarian practices, viz., inputs like fertilisers and high-yielding varieties. Conferment of ownership on tenants is capable of enabling them to raise more funds on security of their additional rights in land for agricultural development. In Bihar even under the first round of land reforms numerous tenants were reduced outright to the status of agricultural labourers when the land they tilled was resumed for personal cultivation by their masters.

Partly due to the State's failure to consolidate holdings, farming operations are less efficient and modernisation of agriculture is slow.

Also, the rent payable by the tenant to the landholder is not regulated effectively. Short of it, security of tenure becomes meaningless and the tenant, who gets into arrears, is obliged to surrender tenancy on demand from the landholder. Apart from this, a higher rate of rent serves as a disincentive and an impediment to investment in agriculture.

In Bihar, the inadequacy of credit facilities further retards technological change. Evidently, a weak co-operative structure and insufficient flow of institutional credit have hindered the development of ground-water resources.

The main constraint in the flow of credit to agriculture has been low recoveries, high level of overdues and consequent ineligibility of a large number of co-operative institutions for refinancing. The percentage of diversion of short-and medium-term loans for other purposes has been extremely high.

Despite the fact that the co-operative sector is the single most important agency for channelising credit into the rural economy, the role of the Cooperative Department of the State Government in toning up the functioning of the primary co-operative societies has been utterly disappointing. It has squarely failed to audit, inspect and supervise the activities of the societies and speedily dispose of the arbitration cases. It has treated the primary societies with benign neglect and indifference.

The abovementioned NCAER study noted that there had been a considerable improvement in industrial activity in Bihar in recent years. This was reflected first in an appreciable increase in the income originating from the manufacturing sector and, secondly, in the sharp rise in the number of people seeking industrial licences. This notwithstanding, Bihar has suffered miserably from insufficient domestic accumulation of capital and the poor entrepreneurship of its indigenous people (barring a microscopic few). An average Bihari is not a good adventuist. An important reason for the low level of industrialisation of Bihar is that the corporate sector is mainly in the hands of immigrants who tend to take the profits out of the State to their native places.

A number of industries in Bihar are in plight. The main reason for the sickness of the sugar industry in Bihar is the short

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supply of its raw material, sugarcane. Only half of the installed capacity in the industry is at present utilised. The Uttar Pradesh sugar factories have been increasing their dependence on the Bihar sugar-cane growers from year to year. The availability of roads towards Uttar Pradesh facilitates this in a big way, whereas several areas of the State (one instance is Dhanaha in Champaran) are cut off from the rest of it for want of transport facilities.

There is almost complete absence of production of important basic chemicals in the State. Chemical industries based on forest products and agricultural wastes have not come up in the State. Bihar does not manufacture drug intermediates or basic drugs. The basic inorganic chemicals are all in short supply in the State.

The aluminium industry has been sick for long. It faced a serious problem arising from a high rate of rejection at the finished product stage. This rate has lately been brought down from 36 per cent to 6 per cent.

The Government of India has not uptill now accorded any recognition to the claim of Bihar to set up a petro-chemical complex at Barauni, the seat of the oldest refinery unit (the Barauni Refinery Ltd.) in the public sector. Naptha produced there, being diverted to the production of fertiliser at present, can better be used for that of aromatics, yielding a higher value.

Supplies of certain key raw materials, such as steel, pig iron, aluminium, parafin wax and cement are controlled by the Central Government. The State has not been receiving its legitimate share in the allocation of these raw materials by the Centre. As a result, the industries based on them have starved and have had to slow down the pace of their work. Coke-oven by-products are not released by the Bokaro Steel Ltd. A fair share of the slag is not allocated by it to the cement units in the State.

The relationship between the leading industries and subsistence agriculture of Bihar is tenuous at best and that between those industries and Bihar's regional needs is very weak. The region covering Dhanbad, Ranchi, Sindri, Jamshedpur, Jharia, Jorapokher, Sijua and Tisra is a richest mineral-bearing one, containing some of the largest thermal and hydro-electric generating units and a heaviest concentration of steel and heavy engineering complex. In spite of this, its impact ('spread effect') on the surrounding backward regions is extremely limited. Instead the backwash process has started operating in it. According to a critic (see R.P. Misra), its linkages with the Calcutta industrial region are closer than those with the towns in the area. The big enterprises stand as monuments of national achievement but are also symbols of regional failure. They do not function as innovative and growth-promoting centres, or social interaction points or as centres of diffusion of information. They are rather symbols of "enclave development".

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To amplify, the Hindustan Copper Corporation has not had any impact on the small industries around it. Likewise, the uranium complex at Yaduguda has not induced a cluster of chemical industries around it.

Except for Jamshedpur, most of the older towns in the Chotanagpur region have grown haphazardly in an unplanned way. Their link with the villages and the small towns in the neighbourhood is weak. They are cluttered with slums of various types and sizes. The mining towns have quasi-permanent settlements. The amenities have not kept pace with the industrial growth of the region. Ranchi's transport system is poor and sub-optimal and piecemeal. The tribal people have not as yet been foregathered in the mainstream or hub of development.

Cities like Patna have polar activities but they are devoid of the channels (communications and transport, in the main) through which they can diffuse their innovative characteristics into the hinterland.

As Bihar is one of the least developed States of India, the State Government has had a weak resource-base. The familiar paradox of underdevelopment is in the limelight. Low per capita income is chiefly responsible for a low degree of resource-mobilisation. The subjection of agriculture to frequent floods and occasional droughts and low levels of savings and capital formation impose serious constraints on the State's capacity to raise resources for development.

Per capita Plan expenditure in Bihar has been lower than the all-States average in the Plans. Bihar has lagged behind most other States in stepping up the Plan investment.

A notable feature of financing of the Plans in Bihar has been a sizable shortfall in actual Plan outlay in all Plans (except the First). Bihar's proposed Plan outlay as proportion of all States' figure, has varied from 7.4 per cent in the Fifth Plan to 9.2 per cent in the Third Plan period. Its share in the actual Plan expenditure of all States taken together was lower than had been proposed in the Plans (with the lone exception of the Second Plan period). There was a big gap (from 22.3 per cent in the Fourth Plan to 52 per cent in the First) in the per capita Plan expenditure between Bihar and other States. However, over the Plans the gap has narrowed.

The State has been forced to commit a large portion of its resources to providing the Central Sector industrial projects with capital-intensive infrastructural inputs, such as power and water to the detriment of other priority sectors of development.

It is surprising to note that Bihar, with nearly 40 per cent of the reserves of India's mineral resources, earned in 1975-76, 23 per cent in total royalty on minerals paid to all States taken together. The rate of sales tax on transactions of minerals is very low, just 4

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per cent. A number of Five-Year Plan projects (e.g., power, irrigation, industrial) involving heavy investments are not yielding returns on them and the Government has been neither keen nor exerting to reap and promote them.

A constant increase in non-development expenditure has affected adversely the Government's capacity to step up investment. Bihar has been continuously increasing its commitments on dearness allowance and higher pay-scales to its employees. It has considerably enhanced its unproductive social expenditure, particularly that on doles, as well as its disbursement on subsidies in the last two years. It forewent bulk of the land revenue for political reasons in the by-gone years.

An increase in the State's domestic product, which has taken the form of an increased output of services needed for administration, cannot be considered a clear economic gain. To illustrate, there has been reckless job creation in the Government departments and *sinecures* have been appointed thereby.

In other ways also the Government has been pursuing rather indiscriminately, practically in all spheres of its control and operation, a crash programme of extreme equalisation involving itself in colossal financial liabilities that might precipitate the collapse of the economy —a policy which in certain areas of its operation eschews merit and efficiency and as such threatens to dampen and deaden all incentive to good and keen work.

Above all, the State Government has betrayed a lack of capacity to establish clear priorities, to allocate its resources on a systematic basis, to identify projects and to monitor Plan implementation vigorously in several spheres.

Concludingly, there is no universal reason why Punjab is rich and why Bihar is poor. For Punjab's wealth and Bihar's poverty we have to examine carefully "the whole intrinsic nature, and all the outward circumstances", (to borrow Bagehot's words) of the two States. Better a strong pair of boots than a Rolls Royce with three wheels missing!

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Bihar's Economic Malaise (on the eve of the Sixth Five-Year Plan)

The Bihar economy is clay-footed. It is in the grip of both stagnation (or stationariness) and decline. Bihar's contribution to national income decreased from 8.21 per cent in 1950-51 to 6.59 per cent in 1973-74. The share of Bihar in the total mineral production of the country declined from 38 per cent in 1955 to 29 per cent in 1976. The gross cropped land area has remained almost stationary, showing a trivial increase of 1.2 per cent per year. The net cropped land area has shown a trifling increase of 1.7 per cent per annum. The crop-intensity in the State is 33 per cent. It is not increasing despite increase in irrigation because of frequent visitation of flood and drought, the average annual loss from which is estimated at Rs 50 to 60 crores. The production of foodgrains in Bihar has risen at the compound growth rate of 1.39 per cent as against the national rate of 2.59 per cent during 1951-1978. The average yield of winter rice, Bihar's major crop grown in almost half of its cultivated area, has remained unchanged and pretty low at 900 kg. per hectare. The production of jute ('the golden fibre') is in deep crisis. Its exports have been declining, consequent upon competition from the synthetic products. The production of sugar, which was 25 per cent of all-India production in 1939, had fallen to bare 8 per cent in 1971. Bihar, which occupied the first place with 33 per cent of all-India production of cement in 1950, produced but 12 per cent of it in 1976. The small industrial units have been in pitiable conditions and a large number of them have already closed down.

The three alarming problems staring Bihar in its face are poverty, unemployment and inflation. The percentage of rural population beneath the minimum level of living in Bihar increased from over 38 in 1960-61 to between 61 and 71 in 1967-68 and was by far the highest in India. The rural areas in the State were definitely more unfortunately situated in comparison with the urban, but the latter too were no better from the all-India point of view. One saving grace,

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however, was that economic inequality in Bihar was of a lesser degree than that in the richer States.

The level of living is determined by per capita productivity, which, in turn, is determined by endowment of two types, viz., natural resource-endowment and institutional endowment. Bihar has an extremely low resource-base. Although it has 10.4 per cent of the total population of India, yet it has only 5.5 per cent of the total area of the country. The density of population per sq. km. is 324 in Bihar as against 171 in all-India. The net cultivated land area per head in the State comes to 0.37 acre. 64 per cent of its population has a farm holding of less than one hectare. The small and marginal farmers, constituting as they do 78 per cent of the total number of farm households, account for 30 per cent only of the total land area. The landholding pattern in Bihar is uneven. 64.34 per cent of the landholdings are less than one hectare in size, and 14.64 per cent between one and two hectares.

In 1971, 76.2 per cent of Bihar's population was occupied in agriculture, 9.9 per cent in industry and 13.9 per cent in tertiary activities. Just 5.3 persons per 1,000 population were employed in daily factory employment in June, 1975 as against the average of 9.5 persons in all-India. Gross factory output per capita in 1974-75 was Rs. 253 in Bihar as compared to Rs. 445 in all-India. All in all, Bihar remains an industrially backward State. It contains a few enclaves or islands of industry amidst vast oceans of agriculture. In 1971, while only 10.0 per cent of the total population of Bihar lived in the urban areas, 19.9 per cent of that of India lived in such areas.

The economic base of Bihar is very weak and narrow. Only 26.0 per cent of the cropped area was irrigated in 1973-74. Fertilizer consumption per hectare of cropped area in 1976-77 was 14.5 kg. as against 20.1 kg. in all-India. Consumption of electricity per capita in Bihar in 1976-77 was 14.5 kwh as compared to 101 kwh in all-India. In 1977-78, 27.7 per cent villages in Bihar were electrified as against 32.33 per cent in India. Motor vehicles per 10,000 population were 15.1 in number in 1974-75 as against 41.4 in all-India. The total road length per 100 km. in Bihar in 1974-75 was 69 km. Hospital beds per 10,000 population in 1973-74 were 3.5 as compared to 5.8 in all-India. 54 per cent children were enrolled in primary schools in 1974-75 as against 83 in the country. The daily newspapers circulation per 1,000 population in 1974 was 3.5 as compared to 15.7 in all-India. In 1971, 19.9 per cent Biharis were literate as against 29.5 per cent Indians.

There is marked regional disparity or imbalance in the State. Per capita cultivated area in North Bihar is 0.121 hectare. 40 per cent of total sown area falls in North Bihar but North Bihar has only 24.55 per cent of the total created irrigation potential. It has per capita availability of 15 kwh of electrical energy. Rural electrification

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covers 10 per cent of its villages. 189 persons per 1 lakh are employed in the factories. South Bihar has 0.154 hectare cultivated area per head. It has 67.40 per cent of the total created irrigation potential of the State, 41.6 kwh per capita availability of electrical energy, 27 per cent electrified villages and 374 persons in factories per 1 lakh population. The corresponding figures for Chotanagpur are 0.172, 8.05, 174.69, 5 and 1,139.

Bihar remains deficient in food supply. With three-fourths of its population engaged in agriculture and 80 per cent of its workers engaged in cultivation, it has an average annual food deficit of 4 to 5 lakh tonnes. Large quantities of wheat and maize are imported to cover this deficit, causing a severe drain of income from the State. The per capita net availability of food in Bihar including imports has fluctuated around 14 ounces a day. The minimum requirement of foodgrains per head has been estimated at 175 kg. per year, whilst their actual availability in the State has varied from 130 kg. to 140 kg. a year. Per capita net outturn of foodgrains in it has been 142 kg. as against 177 kg. for all-India.

The per capita per day intake of calorie and nutrients in rural Bihar is one of the lowest in the country. 70 per cent of total expenditure is on food in both rural and urban Bihar, and 50 per cent of that on cereals alone, particularly in the rural areas. Any rise in their price is likely to adversely affect the existing low level of nutrition of the people. 30.7 per cent of the total expenditure on food is on non-cereals in the country-side, and 49.2 to 51.4 per cent in towns. However, expenditure on eggs, meat, fish etc., is quite depressing. But the silver lining to the darkest cloud lies in the fact that the expenditure on pulses is the maximum in India. But the large consumption of *Khesari* is a leading cause of widespread blindness of the people in the State.

39 per cent of Bihar's working population is landless agricultural labour. The scheduled castes and schedule tribes comprise 23 per cent of its total population. 95 per cent of the scheduled tribes live in Chotanagpur. 45 per cent of the scheduled castes live in North Bihar.

Per capita income of Bihar at present is Rs. 718, whereas that of India at present is Rs. 1,005. The gap between the two has been continuously widening. It was 32.7 per cent in 1972-73; in 1976-77 it was 33.3 per cent. Over 50 per cent of Biharis (more in rural than in urban areas) are below the poverty line. 70 lakh persons are either unemployed or underemployed. Of these, 5 lakhs are educated.

During 1950-51 to 1973-74 the State domestic product grew at the compound annual rate of 2.56 per cent as against the all-India rate of 3.62 per cent. Per capita income in Bihar grew at the compound annual rate of 1.00 per cent as against the all-India rate of 1.58 per cent.

As for the country, so for Bihar, the growth rate of the economy is governed by a complex of factors, viz., weather conditions (level of

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the rains), floods and droughts, availability of inputs and credit, food-stock position, balance-of-payments situation, general price-level, savings rate, investment climate and plan effort.

The leading economic explanation for Bihar's slow growth is in terms of the low level of investment. For any economy to reach the take-off stage a critical minimum level or threshold of investment is a must. Short of it, there cannot be that 'big push' which is capable of breaking the 'vicious circle of poverty' and, in consequence, the economy is bound to remain caught up in the well-known low-level equilibrium trap. In the early stages of economic growth of the developing countries capital accumulation accounts for 40 to 50 per cent approximately of their aggregate growth. This is what has happened in Bihar. During the first three Five-Year Plans per capita investment in the State was the lowest in the country. During the Fourth Plan it was the third lowest. Finally, during the Fifth Plan it was again the lowest (at Rs. 230 as against the all-India figure of Rs. 337). The public loan raised per capita in Bihar in 1974-75 was very low (Rs. 2.94). Per capita State revenue and expenditure were Rs. 32.42 and Rs. 61.61 respectively.

Although a poorer State, yet Bihar has to provide for a higher level of public goods but its ability to raise resources is sharply limited owing to its far inadequate tax-base. The glaring deficiency of the infrastructural facilities obstructs the Bihar economy from reaching the take-off stage. This deficiency becomes more evident when considered against the background of the ever-increasing demand of its mineral and industrial belt for such facilities. The outfit of its social overhead capital is too inadequate to bear the burden of that belt as well as to sustain it. Without a prior minimum development of such a base no economy can afford to attain the take-off stage.

A socialist pattern of society presupposes a new type of man with a high level of culture, which calls for sufficient investment in human capital. The pace of economic development is thwarted by the deficiency of knowledge and skills embodied in human capital. These are essential for utilizing capital assets in a productive manner. Investment in education, health and housing—the minimum human needs—is efficiency-raising. In advanced countries investment in the residual and intangible factors, e.g., education, technology and resource-allocation improvement explains 50 per cent of their total growth. Of the Twin Smithian determinants of the wealth of a nation—the quantity and the quality of labour—the latter is meant by these.

Extremely low investments over the years in both economic and social overheads have entailed a situation of persistent and chronic power shortage and transport bottlenecks in Bihar that adversely affects, almost cripples, its mineral and industrial production. Besides, its three natural regions remain unintegrated geographically.

In 1974-75 per capita expenditure (Plan and non-Plan) on health, education and social security in Bihar was Rs. 22.61, which was the

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lowest of all States and that on administrative services and police was Rs. 8.60, almost the lowest in India. Bihar's per capita expenditure on medical care and public health was Rs. 4.93, that on education Rs. 15.67, that on social security and welfare Rs. 1.81--all being the lowest in the country. These are an infallible measure of the State's low level of social consumption.

Bihar has been rightly branded as an 'internal colony'. There is a perennial drain of income and wealth from the State. A number of minerals in raw form are exported in huge quantities outside the State for being processed into finished products. Nothing so far has been done to start the processing units at or near the site of their extraction. This is a serious source of leakage. It cuts short the employment and income propagation process. A good many raw materials are exported to West Bengal for use by its manufacturing units because Bihar is conspicuous by the absence or inadequacy of such units. Scarce raw materials of strategic importance like cement, steel and coking coal produced in Bihar go outside and the State is starved of them. The rentier classes and the high-salaried employees belonging largely to the other States transfer their dividends and savings mostly there. Had these stayed back and got invested in the localities of their origin, the employment and income-creation process would have received a further impetus from it.

There is a transfer of resources in another way also from Bihar to other States. In 1977 the credit-deposit ratio of all commercial banks operating in the State taken together was 39.4 as against the all-India ratio of 71. Bihar has less than its due share in the market borrowings. In 1976-77 its share was hardly 6.7 per cent. Moreover, the State suffers greatly from discrimination in the issue of industrial licences.

The Plan assistance to Bihar from the Central Government has been far from adequate, considering the size of its population and the degree of its backwardness. The figures given below will attest to this :

Five-Year Plan	*Bihar*	*All-India*
	(Per Capita Assistance in Rs.)	
First	5	24
Second	18.75	26
Third	43.60	55
Fourth	57.00	99

But this apart, Bihar has been betraying lack of capacity to spend money on its development. It is alleged that, on an average, every year there is a lapse or surrender of Rs. 22 crores out of the Centre's allocation to it for mitigating its poverty and backwardness. In addition, there has been another lapse, i.e., surrender of several crores

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uptill now of the Central grant-in-aid as well as a failure to secure several crores from the Centre due to its inability to mobilise its internal resources to an equal extent (its matching share).

Bihar has to act under certain constraints in its bid to mobilize its internal resources. It is the Union which has the constitutional authority to tax inter-State sale transactions. In 1975 there was in Bihar Rs 428 crores worth of mineral production, of which Rs 214 crores worth was exported to other States and Rs 22 crores worth to the foreign countries. The State revenue from royalty was merely Rs 15 crores and that from cess merely Rs 6 crores—Rs 21 crores in all, which could have been several times as large, had Bihar the power to levy taxes and duties on such activities. No amount ensues to the State Government by way of sales tax or Central sales tax either because of branch transfers or because of special provisions in the Constitution exempting sales directly in the course of export. The State's share in the revenues accruing to the Centre from within itself are, by all means, on the low side.

Bihar is acutely short of entrepreneurs, technocrats and managers. In attitude and mentality Biharis are more commerce- than industry-minded. This instinctiveness might be the product of the feudalistic and semi-feudalistic relations system that predominated for ages in the region and still predominates in a subdued form in its various pockets. Biharis are, by and large, a cash-minded, gold-minded and land-minded people; they do not make good innovators. Even in the industrial areas of the State the local population is mentally ill-equipped, unresponsive, un-adapting and insensitive to their nuances, mores, challenges and compulsions—in a word, their cult or ethos.

It takes innovators to strike beyond 'the charmed circle', just as it seems to take a special kind of boldness to establish a new basic industry or to perceive the development potentials of the more backward regions of a developing country. Opportunities have to be anticipated and seized by someone. Foresight and willingness to assume calculated risks are the hall-mark of imaginative leadership. The promotion of innovations is a major instrument for initiating a cumulative process of growth. The diffusion of desires and capacity for greater individual participation both in the process of economic growth and in collective decision-making is a principal mechanism for social and economic growth. Unfortunately, Bihar utterly lacks this instrument and this mechanism.

To compound its difficulties, there are quite a number of drags on Bihar's progress: Firstly, we have the frequent natural calamities, the yearly visitation of flood and drought, which causes a colossal loss of crops, cattle and assets, and necessitates enormous outlays on relief operations. Secondly, *linkages* or *ladders* between agriculture and industry, between large and small industrial units are non-existent in the State. This is one overwhelming reason why the heavy Central

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undertakings the (HEC, the NCDC, the Bokaro Steel Plant, the Sindri Fertilizer Factory and the Barauni Oil Refinery) have failed to produce the expected spread, multiplier or leverage effects, and remain like palm trees that are incapable of providing shade to the needy passers-by. The failure of local business leadership to set up ancillary, auxiliary, derived or feeder industries and growth centres—the receptacles or reservoirs or radiators of energy released by the large-scale units—is in no sense less responsible for the loss of the unique opportunity. Thirdly, the enterprises run by the State through the departments or the corporations involve it in yearly losses of several crores. Fourthly, dues on account of taxes, cesses and fees with the payers concerned and loans and interest thereon with the debtors concerned of the order of several crores have not been realized. Every year nearly Rs 30 crores provided for in the State budget is not disbursed for want of preparation or projects. Every year there is a leakage of several crores from the contingent fund for administrative extravagance—a notable instance of financial imprudence. Fifthly, the establishment cost of administration has been consistently rising without a corresponding rise in the average productivity of the beneficiaries. In 1978-79 in the revenue budget the services in Bihar claimed 26.6 per cent on non-Plan and 0.7 per cent on Plan items under non-developmental heads and 40.5 per cent on non-Plan and 16.4 per cent on Plan items under developmental heads. When compared to Punjab, the richest State of India, Bihar, the poorest, spent proportionately more on the services under the non-developmental heads. Sixthly, the existing assets of the State have not been properly maintained for long and their average contribution to production has been constantly diminishing. Seventhly, the plant and equipment in the consumer goods and plantation industries are absolutely outmoded but they could not be modernized so far. Wastes are not converted into by-products everywhere. Eighthly, the delayed execution and non-completion of the long gestation-period projects (for example, the Gandak, Kosi and Sone Command Areas), the so-called catalysts or levers of change, has acted to retard the pace of economic development in the State. Not much has been achieved on the front of ground-water exploitation and rural electrification. Ninthly, the capacities and potentials created in the spheres of industry and irrigation and power are not being effectively and optimally utilized. Lastly, not only resource (physical and financial)—mobilization but also plan implementation is at once inefficient and flawsome.

The above is by way of an economic explanation for Bihar's slow and tardy growth. But this phenomenon can partly be explained in terms of non-economic factors as well. Growth depends, among other things, on a social capacity to build institutions in order to manage conflicts with capital and entrepreneurial capacity. It depends on creation of new types of organization—types which must be supported by appropriate changes in values to be fully serviceable and meaningful. Institutions are "the crystallization of both social

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values and the power focus of the society". Bihar is marked by the abject absence of such institutions and organizations. To illustrate, the old land system could not be overhauled and restructured uptill now in the State. Co-operatives are still not very popular in it. The total transformation of the barter part of the economy into the money exchange part has been halting. Biharis are unrivalled in lack of self-control and self-discipline—qualities that automatically get transmuted into social discipline. The fast deteriorating academic institutions of the State are interminably milling out sub-standard and shoddy, unviable and unemployable graduates, when we judge them from the national point of view. Biharis to-day generally lack skill, dexterity and judgement with which factors of production are employed. They generally do not manifest steadiness of purpose, orderliness in habit, reason and clear-sightedness in judgement. Their view of life is not severe. They are incapable of uninterrupted and unremitting hard work, of ceaseless straining. Above all, their moral character is questionable. It is moral character which encourages acquisition of wealth and it is acquisition of wealth which encourages moral character, as Marshall very aptly put it. These are the essential qualities that enable a society to progress and become great. Bihar is the most caste-ridden State of India. Casteism is one of Bihar's greatest stumbling-blocks. To add insult to injury, there is corruption at all levels of administration. Perpetual social unrest and tension deter preservation of order amidst change, which enshrines the art of progress. There is unending political instability, and hence slow and delayed disposal of even the routine affairs. As a result, bureaucrats have assumed greater importance and power than ever before but they are by nature and nurture callous and apathetic. They are believers in rules-of-thumb. Initiative and imagination are not their strong points. They are not willing risk-takers. They prefer to play safe. These attributes do not assort well with the needs of developmental planning.

On the credit side, Bihar has vast natural and manpower resources. It has a very wide potential market for consumption goods. The rate of growth of population in Bihar has been a shade below that in all-India. Bihar's soil characteristics permit a very diversified cropping pattern. Its soil is much better than that in Punjab. The production of foodgrains in the State had risen from 40 lakh tonnes in 1950-51 to 92 lakh tonnes in 1975-76. Cultivation of wheat is rapidly catching up in Bihar. A large variety of pulses are grown in the State. This is heartening because in any programme for raising the prevailing level of nutrition by raising the consumption of non-cereal foods so as to ease the pressure on cereal foods, pulses, provided their quality is good, would certainly occupy a pride of place. Double-cropped area in Bihar is 39 per cent as against 15 per cent in all-India. To extend this area more major and minor irrigation facilities are needed. Investments ought to be made preferably in expanding minor irrigation works (e.g., tube-

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wells, diesel pumps, etc.) to ensure more intensive utilization of the lands of the small peasants. A minimum programme of agrarian reforms, specifically addressed to these peasants and an agricultural development programme to strengthen the motley of extension services will prove complementary. The small farmers must be guaranteed a regular and adequate supply of modern inputs and credit. The irrigation works must be deftly dovetailed with the public works, food-forwork and *Antyodaya* programmes.

Biharis do not lack brain-power. Even in the olden days the foreigners had been agreeably struck by the finest mental qualities of Biharis. According to Sir John Malcolm, as quoted by Professor Max Muller in his book *India : What can It Teach Us*?, "The inhabitants of Bihar are a race of men, generally speaking, not more distinguished by their lofty stature and noble frame than they are for some of the finest qualities of the mind. They are brave, generous, humane and their truth is as remarkable as their courage". But Bihar's politicians ever since Independence have let loose a reign of casteism and corruption, rapacity and exploitation, which has pushed the State several fathoms down the surface.

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Position and Problems of the Bihar Economy on the Eve of the Fifth Plan

According to the publication of the Planning Department of the Government of Bihar captioned "Approach to the Fifth Five-Year Plan", one of the aims and objects of the Fifth Five-Year Plan of the State of Bihar ought to be "to break the economic stagnation in the State, and raise the net State output by at least 50 per cent and the per capita income by 28 per cent during the Fifth Plan period." The central purpose of this chapter is to examine this aspect of the problem. During the period commencing from the first year of the First Plan to the third year of the Fourth Plan, the rate of growth of the net domestic product of the State was lower than the average for all-India and there was an actual decline in the rate of growth and virtual stagnation in the growth of per capita income after 1960-61. This is attributed to a couple of factors : (a) The slowing down of the growth of output and per capita income, which was due, to a great extent, to the low level of outlays in the State Plan, resulting in delayed execution of projects of vital importance, in general. The Central Government investment in the State was almost wholly on long-gestation projects and their contribution to the net output of the State was either not much or still to come. Their spread effect on the economy had not been large. (b) The acceleration of the rate of the population growth: The decennial growth rate of population in Bihar had been steadily rising over the last three decades from 10.27 during 1941-51 to 19.77 during 1951-1961 to 21.30 during 1961-71. A further acceleration of the rate of growth during 1971-81 could not be ruled out on account of a relatively faster decline in the death rate, with the strengthening of public health measures and improvement in the nutritional standards. However, there might also be some fall in the birth rate on account of the impact of planned parenthood. The per capita income of the State remained about 30 per cent below the average for all-India. Underemployment and unemployment were on the increase during

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1961-71. The industrial structure was lop-sided. While there had been some development of the long-gestation capital-intensive heavy industries chiefly in the mineral belt of the State, there had been no notable growth of the 'secondary' and 'tertiary' industries. The State's infrastructure of roads, irrigation and power required a good deal of buttressing. The State lagged behind considerably in general literacy and education, in the provision of health services, and in other basic social amenities. Owing to the low resource-base the State outlays in the State Plan had remained low, resulting in a very slow growth of the State's economy and unduly long delays in the completion of projects of crucial importance, which had led among other things to a low realization of benefits from the investments already made.

Basic to the definition of "stagnation" in economics is "a situation in which total output (or output per capita) is constant, falling slightly, or rising only sluggishly, or a situation in which unemployment is chronic and growing". Such conditions may exist in particular industries, in wider sectors of an economy, or in the economy as a whole. As E. Penrose shows, stagnation in the poor, underdeveloped countries may persist because the economy is dominated by unchanging traditional patterns of economic and social life (which have remained untouched by outside forces) and in which there is no incentive to change. Or, it may persist, if the economy is in the grip of certain types of "vicious circles" that defeat all efforts to advance and that hold the economy in a state of "static equilibrium" at low levels of income. Other factors responsible for stagnation are gross maladministration of economic affairs, political instability (reflected in political fissions and breakdowns of law and order), and decline in enterprise and vigour.

Interest in stagnation as a sequel to full development or maturity was replaced after the Second World War by interest in the problems of the stagnating economies of the poor underdeveloped countries. Germane to this was the fact that for all but a tiny minority of the peoples of the world, static or only sluggishly rising incomes have long seemed more "normal" than significant growth. One class of explanations views stagnation in terms of the circular "static equilibrium" of societies bound by a traditional culture. The other class of explanations attempts to discover why societies, where considerable change has taken place, which have in fact experienced long periods of growth, often fail to maintain the impetus, the tempo and the momentum, tending either to fall back to low levels of per capita income or to advance only apathetically.

Penrose is of the opinion that the stagnation of a traditional society can be regarded as the counterpart, at the bottom of a S-shaped curve, of the stagnation or maturity at the top. Both types of stagnation occur from the lack of incentive to further investment.

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Significant net investment in the traditional societies is wanting for two reasons. One reason, assigned by the majority of writers, is the absence of any notion of productive accumulation, or even of progress, coupled with the acceptance of values and institutions, which are inimical to innovation. Thus, unchanging technology is a characteristic feature of stagnation, engulfing the tradition-bound societies. "As a result, economic life continues year after year in a repeating pattern, with no underlying tendency for output to increase appreciably". The other reason assigned by a minority group of writers is the presence of certain economic conditions, such as markets too small to permit saving; inadequate means of transport; inadequate sources of power; and the like. But we can name very few traditional societies in which at least some spectacular change has never occurred. Many of them have passed through periods in which considerable spurts in income have taken place. Yet, such periods have often not brought about sustained economic advance. Potential economic growth has been constantly aborted. This has been sought to be explained with reference to certain types of circular causation. For instance, a leading characteristic is not only stagnating per capita income but also a tendency when equilibrium is upset, for any forces that increase income to call forth even stronger forces that will again depress it. The relation between increases in income and those in population is held to be one of the more important illustrations of this type of stagnation. If, with an increase in income, no surplus for investment becomes available because of increased consumption as the population increases, then periods of rising per capita income may well be only temporary. Nowadays, advances in medicine and public health enable population to grow independently of economic conditions. Although several theories insist on the closed and unbreakable nature of the "vicious circles", Penrose points to a number of countries that have, in fact, been able to break out of them, largely by dint of their own efforts, particularly those possessed of favourable opportunities for world trade.

The framers of the Approach Note propose that the Fifth Plan be so designed to break the economic stagnation in the State and raise the net State output by at least 50 per cent and the per capita income by 28 per cent by (i) maximizing agricultural and industrial production through effective utilization of the potential already created, (ii) pushing ahead various vitally important schemes which are in an advanced stage so that the benefits may begin to accrue soon, (iii) taking in other schemes which are likely to yield early returns, (iv) large-scale expansion of employment-intensive schemes which will promote fuller utilization of the manpower available for the tasks of development, which will mitigate underemployment and unemployment that have shot up enormously in later years, and which will relieve abject poverty especially in the rural areas by giving incomes to the poor and help to remove some of the existing social tensions, (v) orienting and improving the organizational and

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institutional infrastructure, (vi) ensuring co-ordination at all levels, and (vii) mobilizing the financial, material and human resources to the optimum extent. With 50 per cent increase in the net output it would be feasible to step up economic growth sufficiently in later years. But even this 50 per cent rise in the net output of the State is contingent upon (i) acceleration of the tempo of development in the key sectors of the State economy; (ii) sufficient rise in the level of outlay with the mobilization of additional resources by the State Government, liberal Plan assistance by the Centre, optimum use by the State development agencies of funds available from the institutional sources and stimulus to larger private investments in agriculture and industries (more particularly, the medium and small-scale) ; and (iii) the abatement in the trend towards rise in population growth observed over several decades and its effective control. The principal strategies to be adopted for achieving the proposed 50 per cent rise in the net output of the State are:

In the Sphere of Agriculture

(i) Strengthening and revitalizing area development programmes in the major irrigation commands for promoting optimum utilization of the irrigation potential available, introduction of multiple cropping and high-yielding varieties with related inputs;

(ii) Accelerating the progress of the Gandak Project and other irrigation schemes which have already reached an advanced stage of execution for bringing additional two million acres under irrigation effectively during the next Plan period;

(iii) Pushing ahead a massive ground-water development and rural electrification programme from now on so as to expand the area under lift irrigation by additional 2.5 million acres; and

(iv) Enforcement of the ceiling law and other land reform measures.

In the Sphere of Industry

(v) Promoting full development of ancillaries and small-scale industries in the large industrial complexes of Jamshedpur, Ranchi, Bokaro, Sindri, Dalmianagar and Barauni, and agro-industries elsewhere; and

(vi) Promoting the establishment of 'secondary' and 'tertiary' industries on a large scale in the joint or public sector.

In the Sphere of Infrastructure

(vii) Strengthening the electric transmission and distribution system, and further expansion of power generation capacity; and

(viii) Giving higher priority to the road development programme

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for activizing the economy, opening new areas for development and reducing regional imbalances.

General

(ix) Introducing a comprehensive area development programme in 30 selected blocks of five to ten thousand acres chiefly in the plateau and sub-plateau areas for promoting the agricultural potential of the area and for the build-up of the infrastructure of irrigation, power, and roads as well as the small-scale and cottage industries, besides removing the regional disparities;

(x) Giving top priority to the further fortification of the family planning measures;

(xi) Expanding rapidly the employment-intensive programmes of development in order to lessen social tensions, to utilize fully the available manpower, to raise the income of the poor and eradicate grim poverty, to pave the way for a more rapid build-up of the economy, and to indirectly pare down the regional and the inter-class disparities; and

(xii) Providing necessary facilities for the various items of social consumption in consonance with the minimum norms laid down by the National Development Council and weeding out the disparities in the provision of social services between the rural and the urban areas.

Table A (see at end of the chapter) presents the basic facts about the Bihar economy. In the western part of the North Bihar plains corresponding to the Tirhut Commission, which has an area only slightly smaller than that of Kerala, the average density per sq km was the same as in Kerala (that is 548). Bihar had a somewhat heavier burden of dependency than the all-India average. The percentage of workers engaged in cultivation decreased in India by one point but increased by six points in Bihar during 1961-71. The preponderance of agriculture was most marked in the North Bihar plains. During 1961-71 the percentage of agricultural labourers to total population increased significantly. At present the net area sown was 47.8 per cent of the total area. Nearly 44 lakh acres (being the difference between 288.4 lakh acres which are cultivable and 204.7 lakh acres which were the net area sown), that is, nearly 32 per cent, lay as culturable waste. Cultivation still remained dependent very heavily on rainfall. As rainfall was often inadequate, ill-distributed or erratic, crop production suffered not infrequently from drought over large tracts of the State. Extensive areas in the North Bihar plains and certain areas in the South Bihar plains were also liable to heavy floods due to the inadequacy of the flood control measures taken so far. Agricultural production remained unstable and showed significant variations from year to year owing to droughts and floods. On account of the fastly falling death rate and the slowly falling birth

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rate in consequence of the family planning measures the Approach Paper prophesied that the rate of growth of population during 1971-81 would remain the same. But the per capita net area cultivated would decline to 0.34 acre in 1974 and to 0.31 acre in 1979. At that time, about 80 per cent of the land-holdings were less than 5 acres in extent. The vast majority of farmers were small and marginal, subsisting on very low earnings. Sources of irrigation like *ahars*, pynes and many small flow schemes did not provide effective irrigation during the period of drought.

Although Bihar is the richest among the States in mineral wealth and the industrial potential of the State is known to be very large, it still remained an industrially backward State. The per capita income of Bihar in 1968-69 at constant 1960-61 prices was 35 per cent below the national average. Taking persons having monthly incomes of less than Rs. 20 (at 1960-61 prices) as being below the poverty line, approximately 66 per cent or more of the population in the State was living below the line in 1968-69. The total number of persons below the line was of the order of 37 million, which exceeded the population in all but five States, namely, Uttar Pradesh, Maharashtra, West Bengal, Andhra Pradesh, and Tamil Nadu. The revenue receipts of the State Government had been generally lower than in other States of comparable size, and the per capita revenue as also the per capita expenditure (including per capita Plan expenditure) had been among the lowest in the country.

Table B is meant to be a summary of the economic progress recorded by Bihar in different directions after the inauguration of the planning era in 1951. It affords a picture which displays exceedingly slow and tardy progress in almost all fields compared to the broad national averages or aggregates. The rate of growth of food production during 1950-51 to 1970-71 was maintained at a level higher than the rate of population growth during a period when population was rising very rapidly. Even then, it was well beneath the national average (4.13 per cent) and much lower than the rates attained in States like Punjab, Haryana and Gujarat. Some strikingly good progress had been made in recent years in the development of small-scale ancillaries at Adityapur, Hatia and Bokaro. Conditions were now propitious for a more rapid and broad-based progress, a breakthrough in a circumscribed or restricted sense, of not only the mineral and the metal-based industries but also of a very wide spectrum of 'secondary' and 'tertiary' industries in the State. Bihar had trailed behind in respect of literacy and education due largely to the low per capita outlays on education, which were explicable in terms of the financial constraints. At both the secondary and the university levels, the quality of education had sagged and suffered intensely from overcrowding, insufficiency of teaching personnel in both numbers and quality, and dearth of library, sport and recreational facilities in numerous institutions, in addition to the galling infirmities of the

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The family planning programme had not as yet gathered momentum and made a dent on the incidence of births. One evident reason for this was the small base of hospitals and dispensaries, notably in the rural pockets. The increase during 1961-71 in the percentage of workers employed in agriculture was an unmistakable indicator of the fact that the state of under-employment amongst the rural population had further worsened. The magnitude of the educated unemployment was now twice that in 1967, calculating from the number of persons shown in the live-registers of the employment exchanges. The special employment schemes that had been taken up of late would be in a position to produce an impression on the tough problem only after a lag or lapse of time. The village and small-scale industries are usually labour-intensive and therefore their promotion would brighten the prospects of the local community participating in it and profiting therefrom.

As said before, the 1971 Census figures revealed a marked diminution in the number of workers employed in the household industries. This was a highly disquieting trend. The modes of production employed by the extant cottage enterprises urgently called for improvement for capacitating them to produce goods of more or less standard quality and to render them more viable economically. The arrangements for the supply of raw materials and credit, where desired, and for the disposal of products required further streamlining and reinforcements. Simultaneously, steps must be taken for extending protection in reasonable doses to such industries against the competition of the mill sector.

There were excellent chances for inducing the fast development of the small-scale industries as auxiliary and subsidiary to the large industrial complexes at Jamshedpur, Hatia, Bokaro, Sindri, Barauni, Dalmianagar and Patratu. A great deal of significance attached also to the development of secondary and tertiary industries and consumer goods industries, in particular, to make good the present deficiency and to remove the lop-sidedness of the industrial structure of the State economy. Bihar had still vast untapped reserves of the more important minerals that are instantly produced and a large variety of other ones. The stage appeared to have been set for a major expansion of the copper manufacturing capacity in the State. Also, there was a good scope for the development of a large aluminium complex in the Palamau district and of a large hard coke complex in the Jharia belt.

We have noted above, in passing, that there were stern constraints on a more rapid expansion of the net output of the State and the per capita income. These constraints arose from the shortcomings of all types of resources, for example, the limited supply of fertilizers, steel, cement, etc. Authorities on the economics of development planning (such as A. Waterston) group the difficulties of a developing economy under two broad heads, viz., administrative obstacles and

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implementation lags. As regards the former, it is pointed out that the administrative systems of government in nearly all the less developed economies are out-moded. Few of these economies can cope with the administrative problems which development planning brings. Archaic financial and accounting controls have also led to considerable delays in carrying out the development plans. Co-ordination in the sense of unified administrative leadership is often lacking. Government regulations frequently interfere with efficient operation of enterprises. As for the latter, they allude to the gaps between promise and performance and to the sectoral shortfalls, and are reflected in over-emphasis on the financial targets, underspending, delays in execution, absence of time-bound programmes, high costs, inferior construction works, low yields and unused capacities.

These varied manifestations of the implementation lags are caused by a number of factors, such as dispersal of resources, lack of discipline, inadequate preparatory work on projects, lack of engineering supervision, and administrative and procedural delays. As time passes, the gap between promise and performance appears to be widening. The Government tends to exaggerate the fulfilment of investment targets to the detriment and neglect of physical targets since it believes that investment virtually ensures development. Concentrating on how quickly rather than how well money is disbursed often gives rise to serious shortfalls in the output targets. Because of the paucity of well-prepared projects, many economies find it difficult to invest all the money they can lay their hands on in the pursuit of such projects. They also experience abnormal delays in executing projects, higher than expected costs, shoddy construction of projects and underutilization of the completed outfit of facilities. These severally and collectively account for the nonfulfilment of the Plan targets in the *ex ante* and *ex post* senses.

The development of irrigation in Bihar had not, on the whole, progressed satisfactorily. Delays in the completion and commissioning of the major and medium irrigation projects had become a common feature. The construction of canals under the Gandak Project had been proceeding slowly. The completion of a number of medium irrigation schemes had been inordinately delayed. Shortage of funds had proved to be the greatest barrier. The Control Board had been practically inactive and had not been able to quicken the speed of the work under its charge. Likewise, various difficulties ensued after a few years in the development of irrigation from the Eastern Kosi canals which stayed-put and had to be resolved. As a result, the realization of irrigation benefits had not been commensurate with the investments made. The situation was worsened by the weak organizational infrastructure of agricultural extension and credit in the areas of the irrigation projects, major and medium. Besides, there was delay in the development of the irrigation potential of the immense ground-water resources available in the State. They began to receive special attention only after the occurrence of the ... very

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serious drought of 1966-67. But even this programme slowed down during the early years of the Fourth Plan.

The power generation and the rural electrification programmes in Bihar had lagged behind. The transmission and sub-transmission lines which were stretched over a vast expanse considerably lacked strength and reorganization. Uncertainty regarding the availability of funds had acted as the greatest obstacle. Approximately one-third of the installed capacity was ordinarily not available for various operational reasons. The economic growth of the State had suffered appreciably due to the deficient development of road communications. Only about 30 per cent of the total length of roads was surfaced, and the rest was unsurfaced. Less than 5 per cent of the villages with a population above 2,000 were connected with all-weather roads, and only nearly 2 per cent of the total rural population had direct access to all-weather roads. Out of the 587 development blocks, 66 were still not connected with all-weather roads. About 7,600 villages having a population of 1,500 and above were not linked with such roads. The development of rural roads had been neglected in the past. This had retarded agricultural development, cutting off many areas, aggravating regional disparities and the hardships of the people concerned. In so far as the road development schemes were normally employment-intensive, this had impeded, among other things, proliferation of employment opportunities in the rural areas. The efficiency and utilization of the existing road networks needed to be improved. Extensive areas in the plateau sub-region of Chotanagpur did not have proper railway communication. Railway communications between the highly mineralized plateau region and the densely populated plain sub-regions of North and South Bihar had not been quite effective. There were knotty difficulties in moving substantial quantities of coal and other mineral products by rail from the plateau districts to the plain districts, more so in the North Bihar districts. This hampered the industrial advance of the State.

Administrative and supervisory staff was in dire need of considerable reform and reorientation for ensuring proper supervision and inspection of schools, etc. Many school buildings stood in urgent need of reconstruction and renovation. Most secondary schools required to be pulled up to reach the bare minimum standard. There was a glaring disparity in the provision of medical and health services between rural and urban areas. It was necessary to aim at the integration of health, family planning and family welfare services. These objectives could be fulfilled only if the organizational infrastructure of the public health services was further strengthened and necessary steps were adopted for training the medical and paramedical personnel required.

Out of 201 towns in Bihar, only 82 were provided with piped water supply. Thus, out of a total urban population of 56.54 lakhs, only 38.67 (which comes to 68 per cent) had piped water supply.

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About 17,000 villages, that is, 25 per cent of the total number of villages in Bihar did not have adequate provision of drinking water facilities. So far very little attention had been given to the improvement of housing conditions and to the development of housing on a requisite scale in or near fast-growing urban areas. Housing had a large potential for employment. The economically and socially weaker sections of the society (23 per cent of total population being scheduled castes and scheduled tribes, and 30 per cent being others) had to be helped in various ways so that they were placed at par with the rest of the population. They had to be protected from social injustice and exploitation. Despite substantial investments by the Central Government in the establishment of heavy engineering, fertilizer, oil refining and steel plants, and despite investment by one or two large private industrial concerns in either setting up or expanding certain industries based on the mineral resources available to the State, there had been very limited development so far of the secondary and tertiary industries in the State. The enhancement of output and productivity in the existing major public sector enterprises had proceeded at snail's pace due largely to the inherent difficulties of the task. Some of them were still in the construction stage. The multiplier and leverage effects of these heavy industries had been negligible and nebulous. Bulk of their profits and dividends leaked out of the economy as a severe drain. According to a report, although the State Government had added Rs. 50 crore worth of new commitments by way of establishment charges since the then ministry was installed, it had not been possible to raise even one paise worth of additional resources. For quite some years past the State had been living on loans from the Central Government and other agencies. A sizable fraction of its aggregate revenue went out every year to repay debt and interest charges. The State was in a precarious financial position.

The performance of the Government in the first three years of the Fourth Plan had been limited to only 44 per cent of the planned outlay of Rs. 531 crores in which the State resources had been estimated at Rs. 193 crores and the Central assistance at Rs. 338 crores. The State Government had assured the Planning Commission that it would raise Rs. 100 crores from the internal sources during the Fourth Plan period. It was later discovered that it would not be able to raise more than about Rs. 38 crores during the whole period. On an estimate, the State's total Fourth Plan outlay including the Central assistance might not have exceeded Rs. 396 crores. The State Government had been shy in coming forward with comprehensive development schemes. The progress of emergency food production programme for which Rs. 17 crores had been allotted was believed to be far from satisfactory. Only Rs. 7 crores had been spent so far. The idea of the Planning Commission of linking hard manual labour with the permanent schemes of capital formation instead of wasting it on pointless make-work type of schemes

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intended to provide jobs in scarcity conditions had not been paid due attention.

The cost estimation of the Gandak and the Kosi Projects continuously swung upward, whereas the estimation of their irrigation potential had consistently swung downward. To illustrate, on one side, nearly three years ago the cost of the Kosi project had been estimated at Rs. 85.34 crores which had since gone up to Rs. 112 crores. On the other side, the irrigation potential which was earlier estimated at 5.8 lakh hectares was later estimated at 2.75 lakh hectares. The cost of the Gandak project was stipulated at Rs. 52 crores in 1961 but in 1972 it was calculated at Rs. 213 crores. The story of short-falls and back-logs had repeated itself in almost all sectors and sub-sectors and at all points of the economy. The Planning Commission had been assiduously impressing upon the State Government to suitably decentralize the State authority and to appoint high-power autonomous authorities to ensure the socio-economic march of the backward areas of North and South Bihar and for the management of the major irrigation projects but the Government had shown continued inaction and indecision in this matter. The Planning Commission had, understandably, taken the view that such a step would herald the beginning of a purposive process of regional development and that the intimately identifiable issues would be looked after in a systematic manner. It was hoped that such a step would also combine responsibility with authority.

Judged against the background of the bitter experiences of the first three years of the Fourth Plan, the assertions made by the formulators of the Approach Note on the Fifth Plan of the State that the remaining portions of the targeted outlays would have been spent by the end of the Plan in progress, struck one as a wild guess and a mere pious wish. The position might not differ very materially even by the end of the Fourth Plan.

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TABLE A

1	*India* 2	*Bihar* 3
Total population (1971) (in millions)		56.33 (being 10.3% of total population of India)
		North Bihar 26.1 / South Bihar 16 / Chotanagpur 14.2
Density (per sq. km.) (1971)	182	324
		North Bihar 482 / South Bihar 399 / Chotanagpur 179
Area (sq. km.) (1971)		1.74 lakh
		North Bihar 54.2 (thousand) / South Bihar 40.1 (thousand) / Chotanagpur 79.6 (thousand)
Rate of growth of population		
1941-1951	13.31	10.27
1951-1961	21.62	19.77
1961-1971	24.75	21.30
Population of scheduled castes (1971) (Million)		7.9
Scheduled tribes (1971) (Million)		4.9

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1	2	3
Scheduled castes and scheduled tribes as percentage of total population	21.5	22.7
Percentage of rural population to total population (1971)	80.13	89.96 N. Bihar : 95 S. Bihar : 87.3 Chotanagpur : 84
Percentage of urban population to total population	19.87	10.04 N. Bihar : 5 S. Bihar : 12.7 Chotanagpur : 16
Rate of growth of urban population (1961-71)	49.0	41.5
Percentage of workers to total population (1971)	33.54	31.96
Percentage of total workers engaged in cultivation (1971)	68.6	84.4 N. Bihar : 85.5 S. Bihar : 78.4 Chotanagpur : 73.4
Percentage of total workers engaged in cultivation (1961)	69.5	77.0
Percentage of agricultural workers to total workers (1971)	25.8	38.9

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1	2	3
Per capita net area cultivated (acre) (1971)		0.36 N. Bihar 0.33 — S. Bihar 0.37 — Chotanagpur 0.41
Per capita gross area cultivated (acre) (1971)		0.48 N. Bihar : 0.46 S. Bihar : 0.53 Chotanagpur : 0.44
Net area irrigated (million acres)		5.6
Percentage of net area irrigated to net cultivated area (1971)		27
Percentage of net cultivated area having assured irrigation (1971)		12.5
Percentage of gross area irrigated to gross area cultivated		24
Percentage of mineral production in Bihar to total mineral production in India		39.5
Number of workers in manufacturing industries (other than household industries) per 100 employed workers in 1961 in 1971	4.2	2.2 2.6

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1	2	3
Percentage of workers employed in trade and commerce to total workers		
in 1961		2.72
in 1971		3.26
Percentage of workers employed in transport and communication to total workers in 1961		1.20
in 1971		2.52
Net State Product as percentage of net national product in 1968-69 at 1960-61 prices		6.1
Per capita income in 1968-69 at 1960-61 prices (Rs.)	329.9	215.61

Sources : (1) Government of Bihar, *Approach to Fifth Five-Year Plan*, September, 1972.
(2) K.N. Prasad, *The Economics of A Backward Region in a Backward Economy*, in two volumes, Scientific Book Agency, Calcutta-1.

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TABLE B

Progress in Bihar

1	2
Average annual production of foodgrains (1947-48 to 1950-51)	51.7 (lakh tonnes)
(1967-68 to 1970-71)	82.0 (lakh tonnes)
Average annual rate of increase of production of foodgrains (1950-51 to 1970-71)	2.9%
Average annual rate of increase of population (1950-51 to 1970-71)	2.25%
Average gross area irrigated in 1951	42.70 lakh acres
in 1971	67.30 lakh acres
Average annual rate of increase of gross irrigated area	2.22%
Installed power-generating capacity (public utility and captive or self-generating units) in 1950-61	244 MW
in 1969-70	1400 MW
Per capita consumption of electricity; in 1951	15.3 KW
in 1969-70	62 KW
Number of towns and villages electrified in 1950-51	10
in 1969-70	8,000
Per capita power consumption in 1969-70	62 KW (83 KW for all-India)

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1	2	3
Length of surfaced roads (in kms.)		
in 1951		4,800
in 1968-69		12,206
Length of surfaced roads per one lakh of population in 1967-68		25 Kms. (60 Kms. for all-India)
Length of unsurfaced roads per one lakh of population in 1967-68		78 Kms. (116 Kms. for all-India)
Average ratio of the length of all-weather rural roads to main roads		1.5 (1.16:1)
Percentage of literate population to total population in 1971		19.79 (29.34 for all-India)
Rate of growth of literacy (1961-71)		7 (22 for all-India)
Percentage of boys and girls in the age-group 6-11 studying in primary schools (1971-72)		64.8 (77.3 for all-India)
Percentage of those in age-group 11-14 in secondary and higher secondary schools (1971-72)		23.3 (32.3 for all-India)
Percentage of those in the age-group 14-17 in colleges and universities in 1971-72		16 (19.3 for all-India)
Percentage of beds in hospitals and dispensaries of Bihar to total number of such beds in India (1968-69)		4.4

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1	2	3
Number of beds per 1,000 persons in Bihar		0.24 (0.60 for all-India)
Number of hospitals in Bihar in 1968-69		89 (4,314 in India)
Number of Dispensaries in Bihar in 1968-69		851 (10,699 in India)
Annual intake in medical colleges in 1968-69		610 (11,500 in India)
Average annual rate of growth of net State (domestic) product during 1950-51 to 1960-61 and 1951-52 process		3.8%
Average annual rate of growth of per capita income during 1950-51 to 1960-61 (at 1951-52 prices).		2%
Average annual rate of growth of net State (domestic) product during 1961-62 to 1968-69 (at 1960-61 prices)		2.2%
Average annual rate of growth of per capita income during 1961-62 to 1968-69 (at 1960-61 prices)		0.26%
Percentage of total State income generated by manufacturing industries in 1968-69		15.7 (23.1 for all-India)

Sources : (1) Government of Bihar, *Approach to the Fifth Five-Year Plan*, September 1972.
(2) K.N. Prasad, *The Economics of A Backward Region in A Backward Economy* (*A Case Study of Bihar in relation to other States of India*), Vols. I & II, Scientific Book Agency, Calcutta-1.

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18

Infrastructural Inadequacies and Bihar's Slow Economic Growth

Despite four Five-Year Plans in Bihar, about 74 per cent of its total population still remains below the poverty line. At constant (1960-61) prices, the per capita income in Bihar (Rs 225) in 1970-71 was nearly 35 per cent below that in India (Rs 347). The rate of growth of the net State domestic product had been lower than the average for all-India and after 1960-61, there was virtual deceleration of the rate of growth and virtual stagnation in the growth of per capita income. Underemployment and unemployment had been on the increase during the decade 1961-71. Investment in heavy industry by the Central Government in Bihar in the course of the Plans had been approximately one-fourth to one-third of the total investment made in the public undertakings in the whole country. Why, then, had Bihar done so badly? On the other hand, why had Haryana or Punjab, where the Centre had made comparatively less investments in heavy industry done so well? This chapter seeks to pose these questions and to suggest an answer. The fact that Bihar had done very badly on the front of social overhead capital compared to other States (we illustrate the case with reference to the most prosperous ones) held the key to the question as to why it had done so badly on the fronts of agriculture and industry in relation to those States. The tables at the end of this chapter will illuminate this contention.

The theme of this chapter is that an economy without a sound base of social overhead capital is a vulnerable economy. Figures of Plan expenditure in Bihar showed that investment in irrigation and power had continuously risen, whereas that in transport and communications had steadily fallen. As percentage of total expenditure, the former was quite large but not large enough (we are only assuming that real resources worth that amount had actually gone into these projects). But the investment in transport and communications could not be said to be adequate. The big enterprises in the State, it appeared, were short of the basic facilities vital for their support

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and sustenance. Time and again, they had felt starved and their production had suffered serious set-backs.

Before the take-off can occur, argues W.W. Rostow (see "*Introduction and Epilogue*" in *The Economics and Take-off into Sustained Growth*, edited by him, London, 1963), there must be a certain minimum prior build-up of social overhead capital, if the necessary spreading effects from the take-off's leading sectors are to emerge or if the take-off is not to be distorted or actually aborted by the lack of adequate flows of capital. The scale of this prior minimum build-up varies from economy to economy depending on their previous history, geography, resources, etc. Nations, which had their take-off without a balanced stock of pre-conditioning capital, had to face formidable problems during the take-off years owing to their structural flaws.

The First Plan had pointed out that "the level of production and the material well-being a community can attain depends, in the main, on the stock of (social overhead) capital at its disposal". "The larger the stock of this capital, the greater tends to be the productivity of labour and hence the volume of goods and services that can be turned out with the same effort." The productivity of the economy depends on other things also, as, for instance, the technical efficiency and attitude to work of the labour that handles the available capital equipment. But the stock of (this) capital reflects in a concrete form, technological knowledge that underlies the organised processes of production. While other facts are important and essential, a rapid increase in productivity is conditional upon additions to and improvements in the technological framework implicit in a high rate of capital formation. At the same time, the authors cautioned, the normal replacement of existing equipment becomes itself, to some extent, a means for introducing improvements in the technological framework of production.

But as Rostow adds, "the prior build-up of social overhead capital is a necessary but not a sufficient condition for take-off". There must also emerge a corps of entrepreneurs in the private as well as the public sector ready 'to launch the take-off's leading sectors' and to react positively to the potentials for profit which the momentum of the leading sectors provides. "Their central differentiating characteristic resides in their willingness and ability to introduce new production functions". In short, take-off requires a change in the rules of behaviour too.

Social overhead capital is usually defined as those basic facilities which are essential for all economic activities—primary, secondary or tertiary. Overheads like transport, communications and storage are "basic to every type of production, whether agriculture or manufacturing or service industries, whether production for the home or the

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export market" (J.M. Healey, *The Development of Social Overhead Capital in India*, O.U.P., 1965, pp. 1-6). Investment in such overheads tends "to expand *pari passu* with all other investments and the ratio would not vary substantially with the structure of the economy or the stage of economic development." Irrigation, power, transport and communications lead to external economies, which cannot be correctly imputed.

Transport and communications projects lead to a long-run lowering of the price of their services to the other sectors of the economy. Irrigation and power projects merely remove bottlenecks in the path of investment by creating certain inputs. Education, health, housing and social welfare schemes yield outputs which cannot be measured quantitatively. But they promote greater output not only within the projects but also throughout the economy. They lead to an improvement in human capital. The external economies implicit in these overheads are far-reaching, though less obvious. "An act of faith," according to an authority (M.U. Haq, *The Strategy of Economic Planning*, London, 1966 reprint, Ch. 2), "has been determining Plan allocations to social overhead capital". It has been presumed that somehow or other these overheads will promote economic growth. "This is not necessarily wrong because most of these projects will have their impact on economic development, sooner or later, and excesses or shortages will be taken care of by the growth of the system". But this is an erroneous view, as we shall argue later in this chapter. In our country, this view has assumed a different complexion.

On the whole, it appears that investment in social capital in India (part of which is a Central subject and part a State subject, though subject to Central regulation) has been "compelled by shortages or (specific) 'bottlenecks' and has not been the result of a policy to develop capacity ahead of demand". One overwhelming reason has been the heritage of an infrastructure from the pre-Independence era. This infrastructure has been added to and improved upon in the Plan years to meet the needs of deliberate industrialisation. One evident result of this has been "that location of much of the development (of social overhead capital) has also been fairly rigidly determined" (Healey). This has been particularly true in the case of investment in railways, power supplies for industrial needs, etc. Investment in irrigation and soil conservation has proved locationally more foot-loose and has been widely dispersed. In many areas, the railways are acutely disrupted every monsoon season by heavy rains and flood damages. Roads have a built-in maintenance deficiency and investment in them yields extremely low social returns. A significant and pervasive factor responsible for large cost revisions in the case of the river valley projects has been "inadequate geological and technical investigation" in the early stages compounded by steep rises in the prices of materials and labour.

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The Government's decision on investment in social overhead capital over a period of years pre-determines the extent of "the balance between private and public enterprise" (A.H. Hanson, *The Process of Planning*, Belfast, 1966, pp. 444-445). Investments in roads, schools and hospitals are largely the concern of the public sector because they yield no direct return. Investment in power, transport and irrigation is similarly the responsibility of the public sector since even the potentially profitable projects are too slow-yielding, technically difficult or heavily capitalised for the private entrepreneurs to be interested in them. The change in the said balance is difficult to envisage, as public investment in infrastructure brings into play two conflicting sets of forces: One, opportunities for private investment are limited to the degree that resources are withdrawn from it (by means of taxation, borrowing, forced saving) into the public sector, and two, investment in infrastructure provides private enterprise with new markets. Aside from this, the infrastructure on being complete and in operation engenders external economies, which enhance opportunities for private investment.

The availability of water in adequate quantities and at the right time is one of the basic determinants of agricultural productivity. One of the major impediments to full exploitation of the possibilities of intensive agriculture is the lack of assured and dependable water supply throughout the year. The major portion of the cropped area depends exclusively on rainfall and most of it is concentrated in a few months of the year. Even where the overall annual precipitation is high, the available moisture in the winter and summer months is not adequate to support multi-cropping or to facilitate intensive cultivation, both suffused with great employment potential. Even during the peak crop season the rainfall in a large part is too low and uncertain to permit intensive cultivation.

Transport has a crucial role in economic development. In Bihar, for the greater part of its length, the Ganga acts as a barrier between North and South Bihar. According to the authors of the *Draft Fifth Plan of Bihar State* (p. 303), the poor economic development of large tracts of North Bihar (having high potentials for agricultural and agro-industrial development) is ascribable to the conspicuous absence of direct road links between South and North Bihar. Also, road facility in the urban areas leaves much to be desired. Investment in transport has long gestation periods and is often large and lumpy (indivisible or discontinuous). Therefore, "it is necessary not only to make a careful and realistic assessment of transport requirements in advance, but also to review them continually so that suitable adjustments are made from time to time. The problem is to avoid economic losses which might arise either because of transport bottlenecks for want of adequate provision or because of unutilised facilities created in excess of requirements".

*The construction of the Rajenpra Bridge at Mokama and the Gandhi Bridge at Patna has considerably snapped the age-old barrier.

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So far as investments in the reorientation and promotion of the human resources is concerned, no Plan can succeed without them. For instance, a properly formulated system of education can fortify and trigger off social transformation and contribute to economic growth not only by training skilled manpower for specific tasks of development but, more importantly, by creating the requisite attitudes and atmosphere. Facilities for universal elementary education are a step in the direction of equalising opportunity for all.

Actually, planning for social overhead capital involves three types of problems, viz., (1) problems of deciding the scale and the timing of investment so that the facilities are sufficient to sustain economic growth but "not wastefully over-developed in anticipation of demand which does not materialise", (2) problems of allocating expenditure between different types of overhead projects, and (3) problems of financing overhead investment and managing the public undertakings (Healey). It would be wise in view of the paucity of resources "to concentrate expenditure on a few fields where visible results can be obtained quickly and where there is a possibility of a snow-balling effect".

It must be recognised that economic growth not only creates imbalances but also thrives on them. The rate of investment should not be allowed to outrun certain limits in order that the rate of real saving does not taper off excessively in the short run on account of serious dents in output. Last but not the least, inter-sector infrastructural priorities should be chosen on the basis of cost-benefit analysis of providing a given unit of output or service.

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TABLE 1

Percentages of Plan-wise and Head-wise Expenditures to Total Expenditures by the Public Sector in Bihar

(*Approximate figures*)

Heads	*I FYP*	*II FYP*	*III FYP*	*IV FYP*
Agriculture, co-operation and community development	22.27	30.45	20.57	21.24
Industry and mining	1.41	4.75	3.18	3.30
Irrigation and Power	30.55	32.65	52.51	51.01
Transport and communications	14.31	8.53	6.51	7.16
Social services	2.98	23.18	17.19	17.18
Miscellaneous	28.48	00.44	00.04	00.11

Sources of estimates : (1) Directorate of Statistics and Evaluation, Bihar, *Bihar Through Figures 1971.*
(2) Government of Bihar, Planning Department, *Draft Fifth Five-Year Plan.*

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TABLE 2

Annual Income Per Agricultural Worker (In Rs)

States	*1950-51*	*1956-57*
Bihar	118.9	88.3
Punjab	140.0	131.8
West Bengal	152.0	153.9

Source : Reports of the two Agricultural Labour Enquiries.

TABLE 3

Percentage Rise in Registered Unemployment (1961-66)

States	*Percentage*
Bihar	126.5
Gujarat	39.0
Maharashtra	64.8
Punjab	54.1
West Bengal	61.4

Source : Directorate of Employment and Training, Government of India, *Employment Review*.

TABLE 4

Indices of Agricultural Growth

States	*Compound rate of growth of agr. prod. (1952-53 to 1964-65) % p.a.*	*Compound rate of growth of area under all crops (1952-53 to 1964-65) % p.a.*	*Compound rate of growth of agr. productivity (1952-53 to 1964-65) % p.a.*
Bihar	2.97	0.71	2.25
Punjab (including Haryana)	4.56	1.90	2.61

Source : Government of India, Ministry of Food and Agriculture, *Indian Agriculture in Brief*.

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TABLE 5

Indices of Agricultural Productivity

States	*Value added in agriculture per hectare in Rs (1969-70)*	*Produce value per hectare in Rs in river valley project areas (1971-72)*
Bihar	975.10	553
Gujarat	779.13	1,377
Haryana	1,075.84	773
Maharashtra	597.33	N.A.
Punjab	1,504.36	716
West Bengal	1,858.71	1,699

Source : *Economic Times*, July 12, 1972

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TABLE 6

Availability of Irrigation and Consumption of Fertilizer

States	*Net irrigated area per cultivator (in hectares)* (*1968*)	*Fertiliser consumption per hectare of cropped area in kgs* (*1968-69*)	*Percentages of Irrigated Area to Total Area under Principal Crops (1966-67)*			
			Rice	*Maize*	*Wheat*	*Sugarcane*
Bihar	0.79	4.12	29.5	1.3	45.4	25.5
Gujarat	0.79	9.04	—	—	—	—
Haryana	0.70	10.37	71.9	26.4	68.9	84.1
Maharashtra	0.14	10.22	—	—	—	—
Punjab	1.41	29.10	85.6	68.0	72.1	83.9
West Bengal	0.32	9.74	—	—	—	—

Sources : (1) Government of India, Ministry of Finance; *India 1969*.
(2) Government of India, Ministry of Food and Agriculture, *Indian Agriculture in Brief*.

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TABLE 7

Indices of Industrial Progress

States	Percentage Shares of States (All industries under the Centre Sector of Annual Survey, 1969)					Industrial workers in registered factories per 1 lakh population		Value added by manufacturing per capita (Rs)
	No. of factories	Productive capital	Employment	Value of capital	Value added	1966	1970	1967 (Rs)
Bihar	3.4	7.7	5.3	5.8	5.6	440	490	25
Gujarat	7.3	6.3	8.4	8.5	8.1	1,721	1,660	82
Haryana	2.1	2.5	2.0	2.1	1.9	800	890	40
Maharashtra	22.9	17.3	19.6	26.0	28.7	2,055	2,020	120
Punjab	2.7	2.5	1.9	2.0	1.8	788	800	36
West Bengal	12.8	14.8	18.4	15.4	15.0	2,150	1,800	91

Sources : (1) K.N. Prasad, *The Economics of a Backward Region in a Backward Economy* (*A Case Study of Bihar in relation to other States*), Scientific Book Agency, Calcutta.

(2) *Economic Times*, June 20, 1973.

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TABLE 8

Consumption of Electricity and Rural Electrification

States	*Per capita annual consumption of electricity (Kwh) 1966-67*	*Industrial consumption of electricity per capita (Kwh) 1970-71*	*Percentages of electrified villages*	
			(March 1969)	*(March 1971)*
Bihar	60	0.9	8.8	11.44
Gujarat	95	5.7	15.5	21.02
Haryana	57	3.1	22.0	81.62
Maharashtra	117	5.4	22.4	41.43
Punjab	109	4.5	37.0	51.72
West Bengal	118	1.8	6.3	7.1

Sources : (1) Industrial Development Bank of India, *Bihar*, Bombay, 1971.
(2) Ministry of Finance, Government of India, *India 1969*.

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TABLE 9

Roads and Railways Per 1 Lakh of Population

(in Kms.)

States	Roads (1967-68)			Railways (1967-68)	No. of Motor Vehicles per 1 lakh of population (March 1970)
	Surfaced	Unsurfaced	Total		
Bihar	25	78	103	10	124
Gujarat	60	92	152	23	476
Maharashtra	65	53	118	11	553
Punjab & Haryana	55	200	255	Punjab 16 Haryana 16	Punjab 243 Haryana 192
West Bengal	38	87	125	12	358

Sources : (1) Ministry of Finance, *India 1969*.
(2) Maharashtra Government, Planning Department, *Draft Fifth Five-Year Plan*.

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TABLE 10

Hospitals and Schools

States	*No. of beds in hospitals per 110,000 population (April 1968)*	*No. of students in primary and secondary schools per 1000 of population (1966-67)*
Bihar	3.1	99.9
Gujarat	4.3	156.8
Haryana	4.3	129.6
Maharashtra	7.9	163.1
Punjab	6.6	140.2
West Bengal	8.7	133.0

Source : Ministry of Finance, *India 1969.*

TABLE 11

Indices of Banking Development

States	*No. of banking offices per lakh of population (1970)*	*Bank credit of commercial Banks per capita (Rs) (1970)*
Bihar	0.9	14.2
Gujarat	5.7	113.1
Haryana	3.1	46.7
Maharashtra	5.4	262.4
Punjab	4.5	71.2
West Bengal	1.8	176.6

Source : Industrial Development Bank, *Bihar*, Bombay, 1971.

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TABLE 12

Per Capita Income and Plan Outlay

(in Rs)

States	*Per capita income average of 1963-66 at current prices*	*Per capita income in 1969-70 at 1960-61 prices*	*Per capita contribution by industry and mining in 1964-65 at 1960-61 prices*	*Per capita outlay in State IV FYP*	*Per capita allocation of Central Assistance under IV FYP*	*Total outlay (State & Central) under IV FYP*
Bihar	265	405	28	94.28	63.62	157.90
Gujarat	462	746	58	170.43	34.73	205.16
Haryana	445	903	N.A.	224.17	34.89	259.06
Maharashtra	478	739	81	178.16	27.33	205.49
Punjab	492	1,002	39	216.63	34.41	251.04
West Bengal	465	705	68	72.78	68.53	141.31

Sources : (1) *Draft Fifth Five-Year Plan* of Maharashtra State.
(2) Ministry of Finance, *India 1969*.

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Bihar Economy's Feet of Clay: Experiences of the First Four Five-Year Plans

In this chapter we make a modest attempt to account for the slow and tardy development achieved by the State of Bihar during the period covering the first four Five-Year Plans. We consider the base of the Bihar economy to be unsound, and hence term it as 'the feet of clay.' We adduce some evidence in support of our thesis. At the root of the problem lies the deficiency of the infrastructure, without a prior minimum development of which an economy cannot reach the stage of take-off, but if it reaches that stage accidentally or through a perverse design, it simply prepares itself for a great trouble and a rude shock. One obvious reason why the corps of entrepreneurs that has emerged in the State feels frustrated and listless is the aborted growth of social overhead capital. Between the two stools both agriculture and industry in Bihar find themselves badly caught up and the immediate result of this is the deceleration in the economy: a phenomenon which cannot be countenanced, for its continuation may push the economy to the brink of a serious crash Compounding the difficulty are snags, pitfalls and constraints, some unavoidable. We do not touch upon all of them.

One very important argument for our calling the feet of the Bihar economy as 'the feet of clay' is the fact that although agriculture constitutes its core by providing livelihood to 80 to 82 per cent of the State's total population, Bihar remains a food deficit State, the extent of its monthly deficit being 2.25 lakh tonnes (wheat requirement being 1.94 lakh tonnes). It is not denied that there has already occurred a marked increase in the output of foodgrains, which rose from 50 to 51 lakh tonnes in 1951 to 100 lakh tonnes in 1973. Also, it is not denied that the increase in the production of wheat has been spectacular. But the production of rice, pulses and commercial crops has not risen to that extent. Agricultural production remains unstable due to the recurrence of natural calamities like floods and droughts. The short-fall in the Fourth Plan foodgrains production target of the order of 15 lakh tonnes was owing to a multiplicity of factors, such as severe droughts, floods, bacterial

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infestations, lack of fertilizers, non-realisation of the targeted irrigation facilities and non-utilisation of the created irrigation potentials to the fullest extent. Some of these factors were controllable but efforts were not made whole-heartedly to control them.

In Gujarat there were natural calamities but the rate of agricultural growth in that State was as high as 5.4 per cent per annum (p.c. p.a. hereinafter). In Bihar, during 1950-70 this rate was 0.7 p.c. p.a. which was well below the national average of 3.1 p.c. p.a. Agricultural productivity increased in Bihar at the rate of 0.6 p.c. p.a., as against the national average of 1.8 p.c. p.a. During the post-Green Revolution period (1964-65 to 1969-70) agricultural production in Bihar declined by 1.8 p.c. p.a., as against an increase of 1.4 p.c. p.a. in all-India. During 1960-71 farm income in Bihar rose by 105.4 p.c; in the country as a whole the increase was by 141.6 p.c. Bihar's rural population formed 11.6 p.c. of India's total rural population, whereas its share in farm income declined from 8.2 p.c. in 1960-61 to 7.0 p.c. in 1970-71. Besides, the increase in farm income in Bihar was more on account of the expansion of the acreage resulting from the conversion of orchards, grass-lands and cremation grounds into fields than from the application of scientific methods of cultivation i.e., from extensive cultivation.

Total population in Bihar grew from 38.79 million in 1951 to 56.35 million in 1971 (at the rate of 2.25 p.c. p.a.). During the same period, food production increased from 51.7 lakh tonnes to 82 lakh tonnes (at the rate of 2.9 p.c. p.a). But the sheer growth in numbers made heavy inroads in the per capita availability of agricultural land, housing, water supply, transportation facilities, etc. It would be folly to explain the stagnation in agriculture by arguing in terms of sub-optimal allocations to agriculture in the Plan outlays, urban bias, deteriorating trade conditions in agriculture relatively to industry (for example, that prices of certain foodgrains like wheat and rice had been kept low partly through imports and partly through the levy policy-measure), neglect of institutional factors, and so on.

There were serious lacunae in the State's agricultural planning. To illustrate, the Public Accounts Committee of the Vidhan Sabha in its report in 1973 pointed out a criminal waste and misuse of public money and gross negligence in planning and executing schemes and cited glaring cases of "an irresponsible and worthless administration." It found zeal and perseverance absolutely lacking in the officers and staff, whom it branded as "a dejected lot of people." It noted that money had been wasted both in non-implementation and in implementation of the schemes for agricultural development. From 1963-64 to 1968-69 the State Government was unable to spend Rs 2,775 lakhs allotted to various schemes, including those of intensive farming of paddy and maize and minor irrigation. There were serious irregularities in the purchase and distribution of improved seeds worth Rs 10 crores. The Rs 522 lakh-scheme for setting up

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499 seed multiplication farms had flopped. Huge losses were incurred in the purchase of pesticides for "extraneous considerations." Agricultural loans were reported to have been given not with a view to promoting agricultural practices but with that of apportioning political patronage.

Food deficit in Bihar had affected production in the industrial and mining plants in the State. During May 1973 acute food shortage in Dhanbad threatened to paralyse the mining work there. Massive exodus of workers in the Kirburu iron-ore mines began, affecting the supply of iron-ore to the Bokaro Steel Plant. The Russian technicians did not have regular supply of wheat and wheat products for some time. Feeding workers in the collieries and in the steel plants posed a tough problem. The monthly wheat requirement of the industrial and urban areas in Bihar amounted to 49,000 tonnes. At times the release of foodgrains (chiefly wheat) to the State by the Centre had fallen to the low ebb of 20,000 tonnes. The maximum monthly release in some months was 50,000 tonnes.

The moral of this account was evident : Without a substantial increase in the production of food and raw materials needed for industry it would be impossible to sustain a higher tempo of industrial development. This was why the authors of the First Five-Year Plan had adjudged it necessary first of all "to strengthen the economy at the base and to create conditions of sufficiency and even plentitude in respect of food and raw materials."

In 1951 in Bihar 8 lakh acres were irrigated. By 1973, 50 lakh acres were irrigated. Even so, only about 25.5 per cent of the net cultivated area was in receipt of irrigation facilities. If, however, account were taken of assured irrigation from the Government canals and tube-wells, the area would then work out at only 14 per cent of the net cultivated area. On account of poor irrigation facilities agriculture in Bihar had to rely largely on natural rainfall. If rains did not fall, agricultural production suffered badly. The long periods of drought in 1966, 1967 and 1972 had amply demonstrated that agriculture without assured irrigation in the drought-prone areas of Bhagalpur, Monghyr, Gaya and Shahabad was bound to fail and there was no other alternative but to go in for assured irrigation in those areas. But one snag in providing assured irrigation in those areas was that they were mostly located in a region where it was not possible to sink larger diameter tube-wells due to the low yield of ground-water there. The development of irrigation potential in Chotanagpur and Santhal Parganas which comprised mainly the tribal areas of the State had been extremely low. The irrigation potential created till then was only about 2 per cent of the final irrigation potential of that region.

There had been a clear advance in the direction of sinking tube-wells under the aegis of the State and of energising the pumping sets

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But a large number of them were understood to have been out of order. They could not be rapaired. Many lay idle for want of power connections. In several areas field channels had not been constructed. On top of all this was the fact that a considerable proportion of the money earmarked for the purpose had flowed into the pockets of outsiders and had just not got spent. Engineers, contractors, politicians and officials, had gained immensely.

The so-called levers, viz., the three river valley projects (Kosi, Gandak and Sone) had not so far come upto our expectations. Thus, utilisation of irrigation potential of the Kosi project showed a decline after 1968 on account of heavy siltation in the canal bed, poor land development and inadequate field-distribution systems, defective crop planning, excessive seepage through canals and defective land drainage over 2.91 lakh acres, insecure tenancy rights of large numbers of share-croppers, and non-construction of field channels by the cultivators at their own cost. The Gandak project's construction schedule was upset because of the extension of the time of its construction from 1973 to 1977. For this, a host of factors were responsible: the flow of funds from the Centre to the State had been erratic and inadequate; the State Government made no concerted effort to raise resources from other sources; and so on. There was a phenomenal rise in the estimated cost of the project (by over 400 per cent), partly owing to the lengthening of the period of its construction, partly owing to increase in the prices of raw materials and in labour charges, and partly owing to the inclusion of additional works and also, owing to the fact that there had been inordinate delay in the acquisition of land.

The already created irrigation potential had not been fully utilised for the following reasons : Water courses and water channels had not been constructed at many places. Water never reached certain patches of high lands. Water was not released in the canals and distributaries at crucial times. Alignments were wrong and structures defective. Blocking-up of escapes created water-logging. Extension services had not been developed and made available to the farmers. Rapport between the farmers and the project administration district authorities was conspicuous by its absence. Because of delay in the payment of compensation to the affected farmers the irrigation work had frequently got delayed beyond measure during the land acquisition stage in the case of all the big projects. Another serious demerit of irrigation planning had been the lack of co-ordination between different organisations. This was sought to be eradicated by the establishment of one unified set-up designed as the Bihar State Water Resources Development Corporation, which was to control the diverse plans for irrigation, hydel power, flood control, navigation, industrial and domestic water supply, prevention of water pollution, pisciculture and water-shed management.

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In the absence of pre-requisites like new technology, fertilizers, etc., farm with irrigation may even lead to serious soil damage and subsequent reductions in yield. It is essential to maintain the irrigation works and to keep them in trim for use on tap. That the primary sector absorbing 84.71 per cent of total population in 1971 in Bihar should contribute nearly 57.7 per cent of the aggregate income is an unmistakable index of the low productivity of agriculture and the unsound basis of the State economy. This contribution was 64.3 per cent in 1951. We are led to an important lesson : "In the kind of conditions where agriculture continues to be the mainstay of the bulk of population, a significant step-up in per capita income can be achieved only through intensive agricultural development in conjunction with promotion of infra-structure".

We now turn to another set of levers—the gigantic Central undertakings in Bihar, namely, the HEC, the NCDC, the Bokaro Steel Plant, the Sindri Fertilizer Factory and the Barauni Oil Refinery. These claimed almost one-fourth of the total investment in heavy industry made by the Centre in the whole country. But in spite of this, their impact on the State economy has been negligible; they have not multiplied the generation of income and employment as had been expected of them and they have, in effect, caused much frustration among the planners as well as the people of Bihar. The HEC is chronically sick. In 1972-73 it incurred a loss of Rs. 14.54 crores. It had incurred heavy losses in the previous years. It was apprehended that at this rate of loss the HEC was likely "to wipe out its paid-up capital in the next two years". More shocking was the knowledge that the Bokaro Steel Plant had also started incurring losses. The estimate of total capital cost of the plant made originally had to be revised in 1970 in consequence of the spurt in the prices of indigenous equipment, escalation in the prices of materials and the rise in labour charges, etc. This had meant an upward revision of the order of Rs. 80 crores. The delay in the commissioning of the first blast furnace complex was not a short one, having been caused by the prolonged process of decision-making concerning the essential features, such as size, location, output-mix and mode of implementation. The HEC's chronic sickness too affected the progress of the Bokaro Plant. So did its unsatisfactory supply of equipment and structurals. Stories of mismanagement in the HEC had come to light. The Sindri Fertilizer Factory was in dire need of modernisation since its plant was worn-out and corroded. In addition, it was afflicted with glaring stock-piling and overmanning. The Barauni Oil Refinery had to work below capacity as crude oils from the internal sources were unavailable; nor had due attention been paid to the development of a petrochemical complex there.

These large public enterprises had not generated appreciable spread, multiplier or leverage effects due to a variety of factors :

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One factor which comes to the mind readily was the absence in the locality of a large number of derived, feeder, ancillary and auxiliary industries linked either way with these big units, getting their essential raw materials from them and manufacturing small products for them. Another was the presence of huge leakages from both consumption and investment expenditures. The entire work-force was not drawn from within that region. The third factor was that the bulk of their output, which was a scarce and strategic input for all economic activities, was partly consumed by themselves for their further expansion (like the snakes eating their own tails!) and partly sent out to other parts of the country with precious little left out for use inside Bihar. There was scarcely any social surplus left over to be invested in other fields for the furtherance of the material wealth of the State. Besides, over the canalisation of the surplus, if any, the State Government had no control. This incidentally conjured up the vision of a veritable economic drain. Fourthly, they did not appear to have been technically and psychologically contained by the local environment, which had not given proof of resiliency and responsiveness, sensitivity and adaptability.

Finally, the output of social overhead capital, which existed prior to their establishment and which developed with them, proved inadequate with the result that they had been left high and dry afterwards. The supply of power, for example, to them had been most erratic and uncertain. Labour unrest had been rife. But these were equally the curse of the large-scale industrial units in the private sector also, such as the TISCO and the TELCO, which had suffered immensely from these wayward factors. In all these large-scale concerns, whether in the private or in the public sector, the key decision points were located outside their places of operation and hence, in matters of employment to high offices and of utilization of investible funds, the interests of "the sons of the soil" and of Bihar were put on suffrance. Bihar was treated as the proverbial Cinderella. This was how it came to have the Achilles' heel. One deterrent to the opening of the new cement factories in the State was the export from Bokaro of a sizable quantity of slag. Bauxite went outside Bihar as it did not have the aluminium industry. And this dampened the nucleation or radiation effect, which cannot work itself out fully in the absence of the juxtaposition or symbiosis of the productive and distributive processes from the raw material to the finished product stage. The railways favoured West Bengal in the allotment of rakes for the transportation of soft coke and more soft coke was allotted to it at a lower price. The DVC supplied increasingly more power to it. The industrial and mining belt every now and then experienced serious transport bottlenecks. The power plants were in bad shape. Some had broken down and others had worked below their installed capacities. A crisis had been brewing throughout the length and breadth of this belt. Inexplicable delays in the commissioning of the six units of the Patratu thermal power station ranging

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from 22 to 51 months after their construction had put back the hands of the clock of progress in a good many segments of the economy. The Centre had been lukewarm in investing in power development in Bihar, for while it had invested Rs. 270 crores in Tamil Nadu, Rs. 180 crores in each of Uttar Pradesh and Rajasthan, Rs. 160 crores in each of Delhi and Maharashtra, it had invested only Rs. 70 crores in West Bengal and Bihar taken together. The Bihar economy was instantly caught up in the toils of a first-rate power crisis which threatened to expose its 'feet of clay'. The road transport octopus, namely, the Bihar State Road Transport Corporation had functioned as a white elephant, entailing enormous losses (running into crores of rupees). Train and steamer services had to be cancelled in North Bihar during the autumn of 1973 consequent upon acute coal shortage. But this was neither for the first nor for the last time.

The position of industry in the private sector had not been any better. According to an estimate made by the Bihar Industries Association, loss of industrial output in that sector during the last couple of years (1971-72 and 1972-73) was worth Rs. 150 crores. Their principal malaise had been interrupted and under-capacity production attributable to one or more of following causes : erratic, inadequate and expensive supply of fuel and power; uncertain, insufficient and costlier supply of raw materials; old and obsolete machinery; lack of finance; procedural delays in the grant of quotas, permits, licences and loans; resale outside the State by the fake units of scarce and strategic raw materials; indifferent, pernicious and ambivalent politics pursued by the Government; transport bottlenecks, power shortage, high power tariff and exorbitant levies, labour troubles, and so forth. These adverse forces had spared no industry, whether agro-based (rice, sugar, flour, jute, bakeries, distilleries) or forest-based (match, seasoning, saw mills) or mineral-based (cement, ceramic) or metal-based (ferrous). The small-scale units had fared far worse, eking out their existence in the teeth of excruciating hindrances. The system of subcontracting or putting-out had not made any satisfactory headway because of the unpatronising attitude of the owners of major units who still preferred to purchase their several crores worth components (Rs. 200 crores on an estimate) from outside Bihar, the local units getting only a pittance (under Rs. 4.50 crores) by comparison. This attitude acted to bolster up the hindrances and the initial impetus or steam or stimulus or force of the catalyst or the multiplier was greatly eroded, dissipated or lost, as the case might be, in the absence of a 'ladder' between the large and the small sector of industry. The end-product of all investments in private as well as public sector over the span of two decades in Bihar had been only this that whilst the percentage of total population engaged in the secondary occupations rose from 3.65 per cent in 1951 to 5.63 per cent in 1971, the contribution made by them to the aggregate State income rose from 11 per cent to 13.3 per cent during the same period. The framers of the Draft Five-Year Plan were aware of the fact that "the development of infra-

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structural facilities in the State so far had not been sufficient to accelerate the pace of development" either in agriculture or industry. In a nut-shell, it was the 'low capital base' of the economy (with its averages much below the all-India averages, leave aside the averages in such economically more prosperous States as Punjab, Haryana, Maharashtra, Gujarat and West Bengal), which was the chief devil of the piece.

The difficulties presented by the unstable economy on account of a succession of natural calamities were often compounded by political uncertainty, chaos and confusion. Resource-mobilisation was awfully weak. Large unproductive expenditures had been necessitated by natural calamities. The State had been left with no alternative but to fall back upon the Central loans, culminating in an increased burden of debt repayment and interest payment. At the same time, loans and advances given to the peasants by the State Government had not been realised from them because of those predicaments. The continuous price-hike had inevitably ended in a big jump in "irreducible non-Plan expenditures", as claimed by the spokesmen of the Government. The crushing burden of unproductive outlays obliged the Government to resort to bad economy measures as reflected in the pegging down to the bare minimum, of normal maintenance expenses on capital assets like roads, canals, buildings, etc. Paucity of funds had stood in the way of timely execution of the crash employment schemes. While, on the one hand, the State had been intensely pressed against the constraint of limited funds, several offers from the Central Government had, on the other hand, been allowed to lapse due to departmental slackness in fulfilling the required conditions. Enormous Central grants had remained unutilised (ex., slum clearance, flood protection, etc.). To quote the Public Accounts Committee of the Vidhan Sabha, "Schemes prepared by the Bihar Government and the targets fixed for them lack realism. The result is that the schemes fall away and money is wasted. This is a false show of planning. The Government goes on launching new schemes for the economic uplift of the people and the expenditure is met by obtaining interest-bearing loans and Central aid. The State Government levies taxes to pay back the debt and thus the people's economic condition continues to worsen".

Resource-mobilisation had been deficient in respect also of market and negotiated loans taken by the State Government. This had kept the Plan outlays at a low level. The situation in the private sector had been more unfavourable. Out of a total deposit of Rs. 400 crores (approximately) with the banks in Bihar, only Rs. 80 crores had gone as advances to trade, industry and agriculture (only Rs. 1 crore to agriculture) in Bihar. Last but not the least, establishment costs had been constantly rising and gobbling up the lion's share of the current revenue of the State and the extra resources mobilised by it. This trend had plagued the very implementation of the State Plan and unless it was stemmed, counteracted and remedied there could not be much be way of hope that things would be

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sorted out somehow or other. Further, it should be recognised that the Central undertakings and projects in the State had forthwith involved it in additional expenditures on the provision of socio-economic overheads not offset by the subsequent increments in its revenue flowing from them and on this score, it deserved special assistance from the Centre. The Industrial Policy Statement of 1956 enjoined that a proportionately greater infra-structural effort be undertaken in those areas which were at that time lagging behind industrially or where there was a greater need for providing opportunities for employment, even though such efforts might yield few tangible results in the short run. But the comparatively more industrialised areas also required large infra-structural investments for several years at the beginning of planning in order to maintain a given developmental momentum. However, conditional Central assistance was prone to aggravate the State's dependence on the Centre, which was not only demoralising but also disturbing, since it impeded the development of a greater sense of responsibility in its administration, diluting as it did the State Government's accountability to the legislature, an objection with which most experts appeared to agree.

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Bihar's Growing Poverty: Failures of Planning in Bihar

In 1964 the Congress Government had pledged to provide every citizen resident in the rural areas with a minimum consumption level at Rs. 20.00 per month at 1960-61 prices. At 1968-69 prices this worked out at Rs. 27.00. For those residents in the urban areas it sought to ensure Rs 25.00 per capita per month at 1960-61 prices. At 1968-69 prices it amounted to Rs. 34.00. At 1971-72 prices the figures would be Rs. 37.20 for the rural areas and Rs. 46.50 for the urban.

The norm of fixing an "Absolute Poverty Line" in India differs from author to author. Ojha defines it in "the rawest sense" as nothing more than a "basic nutritional minimum" of 518 grammes of foodgrains, yielding 2,250 calories per day per person. On the basis of this norm in 1967-68, 52 per cent of the rural and 8 per cent of the urban population were below the stark poverty line. Dandekar and Rath define it as connoting "the basic national minimum level of consumption" comprising a few other elementary necessities of life. As such, they set this line a little higher than Ojha. On this criterion in 1967-68, 40 per cent of the rural and 52.3 per cent of the urban population were beneath this line. According to the Approach Paper on the Fifth Five-Year Plan (V FYP), 40 per cent of the rural (including 10 per cent marked acutely by high dependency, disability and morbidity) and 50 per cent of the urban population were below the poverty line (signifying Rs. 20 per capita per month consumption expenditure at 1967-68 prices). In terms of numbers, 160 million in the rural and 40 million in the urban areas, i.e., a sum-total of 200 million, were well under this line. This line is pegged at a level of living not adequate even from the point of view of adequate food intake, let alone consideration of nutrition. A balanced diet required per head per month consumption expenditure of Rs. 35.00 at 1961-62 prices and of Rs. 65.10 at 1971-72 prices. Ten per cent of all rural households constitute what the Committee on Distribution of Income and Levels of Living called "the wolf points" of the economy, where the maximum per capita per month consumption expenditure in 1967-68 was

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Rs. 8.07 only. In India to-day 30 per cent to 40 per cent of the people spend less than Rs. 30.00 per month. A family of 5 persons spends less than Rs. 1,800.00 a year. This is the measure of India's "Poverty Intensity", to use Mehta's term.

The NSS data show that the proportion of population with an expenditure of less than a rupee a day remained almost unchanged at over 80 per cent in 1952, 1960-61 and 1963-64. The All-India Rural Household Survey conducted by the NCAER discloses that during the early sixties 86 per cent of the population had an income of less than a rupee a day. The CSO data reveal that in 1963-64 at current prices, per capita income had crossed the barrier or threshold of Re. 1.00 per head per day. But at 1948-49 or even 1960-71 prices it was below that barrier. By defining the line of poverty as denoting Rs. 15.00 per capita per month consumption expenditure in the rural areas and Rs. 24.00 per capita per month consumption expenditure in the urban areas, Da Costa marks 33 per cent of the people in the country as being under this line. Similarly, by defining the line of destitution, to imply per capita per month consumption expenditure of Rs. 13.00 in the rural and Rs. 18.00 in the urban areas, he ticks off a little over 20 per cent of the people as falling below this line. In another view (Minhas'), between 1957-58 and 1967-68 the number of people below a normative poverty line (Rs. 20 per capita per month) had stayed nearly constant around 240 million, though the proportion of population in this category during the same period had fallen from 58 to 48. This is interpreted by Minhas as largely a consequence of the increase in over-all per capita consumption of Rs. 254 in 1957-58 to Rs. 290 in 1967-68.

During that period per capita private consumption grew at the rate of 1.3 per cent per annum, per capita net national product at 1.62 per cent per annum, and population at 2.28 per cent per annum, per capita net national per annum, and population at 2.28 per cent per annum. The Study Group on the Welfare of the Weaker Sections of Village Community showed in its report (1962) that 45 per cent to 50 per cent of the rural households had an income of less than Rs. 500 per annum and 80 per cent had an income of less than Rs. 1,000 per annum; that 20 per cent of them owned no land, and that 25 per cent of them owned holdings of less than 1 acre. At present, a little less than half of the rural poor are landless labourers and a little more than half of them are marginal and small farmers. The two groups overlap since the small farmers also work as agricultural labourers. The vast multitude of the landless or near-landless constitute the bulk of the utterly indigent and destitute people of our country. Twenty per cent of the rural and fifteen per cent of the urban population are the poorest with per capita per day consumption worth 35 paise. Mehta has taken pains to demonstrate how between 1960-61 and 1967-68 the condition of the bottom 20 per cent of the rural population remained stationary; that of the bottom 20 per cent of the urban population deteriorated. The con-

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dition of the next 20 per cent urban population remained more or less stationary. In 1960-61 the consumption expenditure of the 10 per cent urban population was 30 per cent higher than that of its rural counterpart. But in 1967-68 it was just 10 per cent higher. In other words, the position of the urban population had suffered a setback. The most ostensible reason for this was the flow of the rural poor to the urban areas in quest of employmet. The upshot of this is that everywhere the incidence of poverty was much higher in the urban than the rural areas.

The size of the problem of poverty and the absolute number of the poor in India vary from State to State. In Da Costa's words, there are "rings of poverty" centred around "a solid core of destitution". Or, to quote Minhas, "A very large proportion of the dismally poor people are concentrated in a few well-defined regions". We know that poverty and unemploymeut are interrelated and coexist. Lack and irregularity of gainful employment is the most outstanding factor explaining poverty. In India idle labour power is heavily concentrated in particular zones, such as the Southern and Eastern regions, which, incidentally, are also localised pockets of low wages and abject poverty.

Prasad has calculated that in 1950-51 the per capita per day availability of foodgrains to the adult population of Bihar from its own output came to 10.90 ounces. But, taking into account imports, he arrives at a figure of 18.75 ounces. There were in the State 6.4 million rural households of which 2.6 million were agricultural labour households (which comes to 40.63 per cent), 64.11 per cent agricultural labour households were with land and 35.89 per cent were without land. 99 per cent were casual and 1 per cent were attached agricultural labourers. The per capita yearly income of agricultural labour in Bihar was Rs. 118.7 for the casual and Rs. 153.3 for the attached class. The yearly expenditure per agricultural household (consisting of 4.5 members) was Rs. 517, giving a figure of Rs. 114.9 per capita. The average debt per household was Rs. 40. In 1952 per person monthly consumer expenditure in the rural areas was Rs. 24.03, of which Rs. 16.10 was spent on food and Rs. 7.93 on non-food articles. Among the food articles the share of grains was Rs. 11.42, of milk Rs. 1.16, of meat and fish and eggs Re 0.41, of sugar Re 0.26, and of edible oil Re 0.38. The corresponding figures for all-India were Rs. 27.81, Rs. 16.65, Rs. 11.16, Rs. 9.63, Rs. 3.92, Re 0.15, Re 0.83 and Re 0.45. So far as dietaries were concerned, the distribution in ounces per consumption unit was as follows : Rice 18.0 for middle class and 20.1 for poor class; pulses 4.1 and 0.6; leafy vegetables 1.2 and 2.0; non-leafy vegetables 5.9 and 0.6; fruits 0.5 and nil; oils and ghee 1.8 and 0.1; milk 4.1 and 0.1; meat and eggs 3.7 and 9.1; and sugar and jaggery 0.6 and nil, respectively. In 1953-54 the average size of a rural household was 5.8 persons and 17 ounces of foodgrains were available per consumption unit.

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In 1956-57 there were 8.8 million rural households, of which 2.6 million were agricultural labour households (i.e., 29.55 per cent). Of the agricultural labour households, 61.22 per cent were with land and 38.78 per cent without land; 58.48 per cent were casual and 41.52 per cent were attached. The casual labour earned an annual income of Rs. 84.0 and the attached of Rs. 95.5. Expenditure per household per year amounted to Rs. 504, giving a per capita expenditure of Rs. 105 (the average size of the family being 4.8 members). Average debt per household was Rs. 97. The economic lot of agricultural labour had become worse in five years.

In 1960-61 the percentage distribution of the households according to the monthly per capita expenditure classes was as under: Rs 0-8, 9.17 (rural) and 1.66 (urban); Rs 8-11, 15.01 and 11.16; Rs 11-13, 11.22 and 7.50; Rs 13-15, 10.88 and 8.77; Rs 15-18, 12.17 and 8.35; Rs 18-21, 8.56 and 8.89; Rs 21-24, 8.87 and 7.89, Rs 24-28, 6.96 and 7.44; Rs 28.34, 6.38 and 9.77; Rs 34-43; 5.14 and 8.35; Rs 43-55, 1.87 and 11.08; and Rs 55 and above, 3.76 and 9.14. In 1962 Bose, after defining the poverty line to include expenditure groups from Re 1 to Rs 50 per month per household, estimated that 19 per cent of the population in Bihar in 1961 was below that line. In 1961, of 76.8 per cent of the total working population engaged in agriculture, 42 per cent was composed of agricultural labour. Prasad calculated per capita per day availability of foodgrains to the adult population in Bihar in 1961 from internal output at 16.68 ounces. Cultivators owning land between 0 to 5 acres formed about 37 per cent of the total rural working force. Workers occupied in traditional, low-income activities, mostly artisans, constituted nearly 7 per cent of this force. The operational holdings were, on an average, 3.88 acres in size. Average area per rural household stood at 2.88 acres. Average area per operating household amounted to 3.69 acres. If the minimum area to be given was one acre, 46.31 per cent rural households were below this minimum. Were the ceiling to be fixed at 12.5 acres, 3.66 per cent rural hoseholds exceeded this ceiling. Should the floor be fixed at 2.5 acres, 65.17 per cent of all rural households would be below this floor. A team of writers (Mukherjee, Bhattacharya and Chatterjee) pointed out that in 1960-61 in Bihar 38 per cent of the rural population lay below the poverty line. Singh put the percentage of the poor in rural Bihar at 68.5 of its total working force in 1961, 66 per cent being males and 73 per cent being females. According to him, the corresponding figures for all-India were 57.1 per cent, 54.7 per cent and 61.8 per cent.

In 1961-62 the average size of rural households in Bihar was 5.9 persons. Gross income per cultivating household and per capita of agricultural household worked out at Rs 43 and Rs 126 respectively. The NSS data indicated that average per capita monthly expenditure in 1961-62 was Rs 18-96, which came to 87.7 per cent of the all-India figure. Computations made by Dandekar and Rath with the aid of these data brought out that the monthly per capita expenditure

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class in which a diet with 2,250 calories was reached for rural India was Rs 13-15. For urban India it was Rs 21-24. For rural Bihar it was Rs 13-15 and for urban Bihar it was Rs 18-21. Per capita total annual consumption expenditure for rural India and urban India came to Rs 170 and Rs 274 respectively. For rural Bihar and urban Bihar these figures were Rs 169 and Rs 238 respectively. The total calorie equivalent of daily diet was 2,194 for rural India, 2,159 for urban India, 2,198 for rural Bihar and 2,365 for urban Bihar. The percentage of rural population lying below this dietary level (considering the population lying in the monthly per capita expenditure class Rs 13-15 in conjunction with the population falling in the lower classes) was 30.92 for rural India, 46.50 for urban India, 37.38 for rural Bihar and 41.28 for urban Bihar.

The States with high incidence of rural labour were also generally those with large percentages of the rural population living below the minimum consumption level. The incidence of rural labour was high in Bihar where approximately one-third of all rural households were labour households in 1963-64. As percentage of all rural households in Bihar, those with land amounted to 15.94 and others without land to 16.94, the total to 32.88. The corresponding percentages for all-India were 9.99, 15.54 and 25.53. Da Costa analysed the 1963-64 NSS data and arrived at some very interesting results: In India the number of population in severe destitution was 61.7 million, that of it in destitution was 104.4 million, and that of it in poverty was 161.6 million. As percentage of total population at 466.9, these came to 13.2, 22.4 and 34.6 respectively. Per capita monthly expenditure was Rs 24.25. About 6.5 million in Bihar (13.5 per cent of total population at 49.1 million) were in severe destitution, 11.5 million (23.4 per cent) in destitution, and 17.4 million (35.3 per cent) in poverty. The per capita monthly expenditure was Rs 22.02. (The line of severest destitution referred to Re 0-11 consumption expenditure class in the rural and to Re 0-15 class in the urban areas. The number of destitutes (not severe destitutes) in rural India was 81.8 million (21.41 per cent of total rural population). In urban India it was 22.6 million (26.68 per cent). In India as a whole it was 104.4 million (22.3 per cent). In rural Bihar it was 10.1 million (22.43 per cent). In urban Bihar it was 1.3 million (33.54 per cent). In Bihar as a whole it was 11.4 million (23.35 per cent). Per capita availability of foodgrains per day in ounces from all sources of supply was 17.3 for all-India and 15.3 for Bihar.

In 1964-65 per capita income at current prices was Rs 421.5 in India and Rs 286.42 in Bihar, 83 per cent of the total population was localised in backward districts of the State. In 1967-68, 61 per cent of the rural population was below the poverty line; 25.8 per cent did not take in adequate calories. The density of the poor was 13.5, being one of the highest in the country. In 1971, of the total population (56.3 million), 10.04 per cent (nearly 5.8 million) was in the urban and 89.06 per cent (nearly 40.5 million) was in the rural areas. Were we

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to accept the all-India percentages of the rural and the urban poor (being 40 per cent and 50 per cent respectively) mentioned by the Approach Paper on the Vth FYP as valid also for the State of Bihar, then we could say that 16.2 million people in the rural areas and 2.9 million people in the urban areas, that is, 19.1 million out of the total of 56.3 million in Bihar as a whole, i.e., almost 34 per cent, were below the poverty line. On the other hand, if we allowed for the fact that all the scheduled castes (14 per cent of the total population) and the scheduled tribes (10 per cent of the total population), which together made 24 per cent of the total population were poor, then the number of the poor in rural Bihar was 26.9 million and in urban Bihar it was 3.8 million, i.e., 28.7 million in all, which meant approximately 50 per cent of the total population of Bihar. This estimate of ours coincides, accidentally and exactly, with the estimate made by the FICCI, New Delhi in its study. According to this study, on the 1st of October, 1969, Bihar had 27.0 million people below the poverty line, which was 49.4 per cent of its total population (estimated at 54.7 million at that time), the per capita income in 1969-70 at 1960-61 prices being Rs 405 (as against the all-India figure of Rs 589). But the Government of Bihar had estimated nearly 66 per cent or more of its population to be below the poverty line in 1968-69 by taking persons having monthly incomes of less than Rs 20 (at 1960-61 prices). On this estimate, the total number of persons below the poverty line was of the order of 37 million in that year, which exceeded the total population of all but five States in the country, namely Uttar Pradesh, Maharashtra, West Bengal, Andhra Pradesh and Tamil Nadu.

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Conceptual Aspects of the Problem of the Educated Unemployed in Bihar

The sordid feature of nearly thirty years of planning in Bihar has been a negative employment effect as reflected in the accumulating backlog of the educated unemployed from Plan to Plan. The magnitude of the residuary unemployment among the educated can be estimated by subtracting from the total number of the educated employables, the total number of the educated actually employed. In order to arrive at a correct estimate, it is necessary to exclude those educated employables who become self-employed with or without the State assistance as they do not stay behind to exert their pressure on the labour market. It is also necessary to exclude those who are looking for superior openings. It is equally necessary that in calculating the number of the educated unemployed the girls (women) are shown separately from the boys (men) because most of the girls would not take up paid employment, particularly after marriage, the social mores in this State being unfavourable to female employment. When these allowances were made, the figure of the total educated unemployed would look less formidable, besides being more suited to realistic manpower planning.

A question which comes naturally to our mind is this: Why have not the many employment schemes set up a multiplier process, such that the aggregate employment created in the end was a certain multiple of the initial volume of employment generated by these schemes? If unemployment has been rising at a pace faster than employment among the educated, then one convincing reason for this seems to be the fact that there is continuous over-production of the educated. But another less obvious reason may be the fact that our schemes have been generating employment for the educated in such ways as have an adverse impact on the economy as a whole, which in its turn causes the value of the employment multiplier to become negative, that is, a demultiplier. But we cannot argue this point forcefully unless we have information about the sectoral and sub-sectoral distribution of

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allocation of the educated unemployed on being employed. Have they been absorbed in agriculture or in industry or in construction works or partly in all these occupations, which produce tangible goods? Or, have they found employment in the services, a field in which production is intangible. For quantifying the economic impact of employment creation it has to be very carefully noted as to what proportion of the educated unemployed has been employed in those activities which create capacity to produce more than that to consume (A) and what proportion in these activities which create capacity to consume more than that to produce (B). When B exceeds A, the employment effect is, on the whole, negative. This has a retarding effect on the growth rate of the economy. Prices are made to rise further with all the resulting adverse consequences. Indirectly this worsens the class-distribution of income. The poor who are usually uneducated and whose earning from employment is lower suffer in comparison with the educated employed who earn more. The class-wise income differentials are thus aggravated. There is another unwholesome effect on the social set-up. In so far as the educated employed are an acutely vocal group and often tend to be discontented with their existing salary and other working conditions, agitations and consequent stoppage or slackening of work become a regular feature, thereby impairing total production. The information sought above would be useful for another purpose. It will help determine the priorities of educational outlay in a Plan. For instance, it is quite in order to ask: Should more money be spent on providing training to the matriculates to take up advisory work in agriculture or on expanding facilities for their college education to enable them to become clerks after graduation? The moral of our preceding discussion is that in case employing the educated unemployed in a particular sector or sub-sector runs the risk of reducing net output, then it would be sensible not to employ them at all, for their unemployment is not, after all, forcing them to starve. The problem of the educated unemployed is not going to be solved immediately; it presumes a long-term, time-bound programme and very careful planning. How we employ them would have a far-reaching repercussion on the tempo of economic growth, and, therefore, wisdom would lie in proceeding very tactfully in this matter. At the same time, we have to examine meticulously whether the educated unemployed have to be provided jobs for creating further capacity or for utilising the idle, unused capacity. In several cases the second alternative may appeal more to the planners. In many rural areas workshops, hospitals or school buildings lie unused for want of the requisite staff. And even in erecting these structures, especially in towns and big cities, there has been blind imitation of the affluent societies, whereas less expensive ones could have equally served the purpose. This has been an inexcusable waste of resources in a capital-scarce economy. Tagged to the foregoing question is another question : Are the educated unemployed to be employed for immediate production, for example, to teach the pupils, or are they to be employed to produce means for future production, that is to say,

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the teachers at present unemployed are to be employed in such institutions as train other teachers? Employment in the second example resembles investment for further investment, which is a crucial determinant of the rate of growth. The adult education and the continuing education programmes ought to be interpreted in this light.

It is also relevant to probe the locus of employment of the educated unemployed, i.e., where they are given jobs. If they are given jobs in their home village or town, in all likelihood they would continue to lodge and board with their kith and kin, in which case the whole of their (new) purchasing power would not get disbursed on the purchase of consumable goods. A portion of it, and an appreciable portion of it for that reason, may represent productive saving. Moreover, the merit of providing jobs *in situ* is that it arrests the social costs of providing employment away from homes of the unemployed from rising steeply. There may follow from this an increased emotional adjustment of the employed person, who may feel mentally uprooted or lost when called upon to live at a new place. This is not to gainsay the possibility of corruption and favouritism inherent in the first alternative but a first-hand acquaintance with the local problems is itself a counterweight to that fear, not to be trifled with. Again, in choosing among the educated unemployed for providing employment (the number of vacancies at any time being less than the number of people to be employed), attention has to be paid to the different social strata (propertied or propertyless) from which they come, the present economic condition of the families they belong to (whether there is or there is not in a particular family at least one earning member), etc. Lately it has been noticed that the class repercussions of the employment projects have not received their due attention from the planners. A socialist pattern of society aiming at greater economic equality must not disregard this aspect of the problem.

Finally, it is pertinent to ask another question: How long are the educated unemployed going to be employed? Are they going to be put on purely temporary jobs or going to be employed permanently? In the former case, dovetailing of projects may become an imperative need. Turning to other facets of the problem, educated unemployment is best regarded as part of general unemployment. While the problem can find a lasting solution only in a long-term programme, as stressed above, temporary alleviatory steps may be inevitable on grounds of welfare and relief provision since the educated unemployed cannot be left to fend for themselves for any great length of time. The pressure from them has already been mounting day by day. Data aver that more jobs have been created for one category of the educated unemployed, namely, the technical hands, and less for the other category, viz., the non-technical, generally educated persons, who have preferred clerical work because of their instinctive dislike for manual work. Some recent change in this attitude is reported, which assuredly is a happy augury.

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The received growth theory has always taken the view that expansion of large-scale industry, more than agriculture, generates more avenues of employment. It sets into motion two contending forces—one which tends to dampen its employment effect (through concentration and extension of undertakings, improvements in techniques, mechanisation, scientific organisation, and so on), and the other which tends to intensify or heighten the employment effect (*via* more demand for the educated for manning the various services, such as administrative, financial, supervisory and marketing, research and laboratory work, and so forth). But the latter far out-weighs the formes. However, in a capital-scarce economy with limited scope for heavy industrialisation within a discernible time-horizon, job opportunities for the educated unemployed must be enhanced by promoting a few selected activities which have the potentiality of acting as spearheads or catalysts. Small-scale industries and co-operatives can burgeon into such tools, provided they are planned properly.

So far as the technical hands like doctors are concerned, their reluctance to settle in the rural areas can be reduced by giving them subsidies. In a rapidly changing economy some amount of class or structural unemployment is a common event. In this case shortages go hand in glove with excesses of certain types of labour. There may exist demand for specific types of labour or for experienced hands which the educated unemployed do not possess. To ward off such situations it would be expedient to devise the apprenticeship system on a massive scale so that practical training at all levels of education begins allongwith theoretical training. There must be in existence arrangements for in-training as well as facilities for retraining with a view to tiding over the evil effects of frictions in the diverse segments of the economy. The dearth of modern doctors in the country-side can be minimised by training the homeopaths in allopathy, for example. Vocational counselling and a meaningful reorientation of the educational system would go a long way in striking the problem at its very root.

Lastly, an active manpower policy for improving the functioning of the labour market must be formulated to meet the challenge posed by this problem. Positive and negative methods alike must be adopted to regulate the supply of the educated employables in the labour market. Certain professions must be made less attractive to the educated by bringing down the earnings and the emoluments in them, by rendering education and training for them more expensive (for instance, by curtailing the heavy dose of State subsidy to them as at the moment, by raising the fees modestly for some years to come, etc.). Public approbation for such measures can be secured by devising a more equalitarian policy that purports to offer more freeships and more scholarships to the students coming of relatively poor families. This will win for the Government abundant public goodwill. The Government must insist on free service for a period on the part of the technically educated after their leaving the University.

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In addition, the "sights" must be lowered. The private and the public sector (they employ the educated employables in the ratio of 1 to 2) must reverse their existing scale of preferences and not employ M.As when the minimum qualification is a B.A. degree, so to speak. This is suggested because the rate of social return on investment in higher education is comparatively lower than that in lower education. According to a study, it is 15 per cent in respect of primary education, 14 per cent in respect of middle education, 10.5 per cent in respect of secondary education and 9 per cent in respect of graduate education.

But apart from the quantitative aspect of labour supply there is another aspect, the duration of the waiting for getting employment. This duration must be shortened. According to the same study, a matriculate has to wait for 17 months, whilst a graduate for 6.5 months. These are all-India averages. The figures for Bihar would by all evidences be much higher as it happens to be the most backward State, growing at the slowest rate in the entire country and having the maximum percentage of its population beneath the poverty line. A complex of factors accounts for the long wait—want of vacancies, want of appropriate channels of information (in most cases friends and relatives are the only purveyors of news), unwillingness of the superior officers to forward the applications of the juniors for more prospective and lucrative employment elsewhere (with the result that one feels oneself liable to the perpetual fear that he or she will have to stick to his or her given occupation), predominance of blind-alley jobs (in sharp contrast to the plum jobs, that are few and far between), under-writing by the joint family of the educated unemployed's search for employment, age-limits, rigid pay-scales, the easier stop-gap of prosecuting education with State stipends until such time that a job to one's liking and temperament becomes available, and all the rest of it. Any dent in the waiting period would lead to a better utilisation of the human capital and an increased income in the aggregate to the individual, and hence to the society of which he is a part, aside from scaling down the real costs, by and large, immeasurable in terms of the money calculus implicit in the process.

One final remark : The state measures promoting and inducing more capital-using processes and techniques of production and distribution by making them cheaper have intensified the dearth of job opportunities and lowered the employability of the comparatively less skilled and less educated sections of our manpower. The pros and cons of this matter must be very carefully weighed up by all concerned.

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Economic Development of Chotanagpur : A Case of Stagnation Amidst Heavy Industrialisation

Chotanagpur is the industrial heart of Bihar. The Tata group of industries at Jamshedpur (in Singhbhum district) alone employs about 23 per cent of the total industrial labour force in the State as a whole. About 40 per cent of the units and 54 per cent of the workers in the organised industrial sector are concentrated in Chotanagpur. The average size of the units in this region is the largest in the State and the present trend is towards further concentration. The natural resources of this region provide the basic raw materials for the key industries and the region has, on the whole, attained a level of development far higher than elsewhere in the State. Outside capital has ventured mostly in this region and has reaped the initial advantages.

Data indicate that the registered factories in Chotanagpur constituted 30 per cent in 1962 and 47 per cent in 1964 of all registered factories in the State (Table 1). In 1966 almost half of the large-scale and medium-scale units were located in Chotanagpur. In 1969 this percentage had shot up to 86, affirming their increased concentration (Tables 2 and 3). So far as the registered small-scale units are concerned, in 1966 their number in this region formed nearly 26.4 per cent, which rose to 28.5 per cent in 1969 (Tables 4 and 5). When we consider all types or scales of industry together, we find that the share of Chotanagpur had gone up from 30 per cent in 1966 to 32 per cent in 1969 (Table 6).

The preceding inference is drawn by disregarding the place that the unregistered small-scale and household (cottage or village) units, which in any case will be an appreciable number, occupy in the industrial economies of the three regions of Bihar, namely, North

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Bihar, South Bihar and Chotanagpur. In another study we have found that the percentage distribution of the registered centres of khadi and village industries region-wise was as follows: Tirhut division 39.5, Bhagalpur division 24.4, Patna division 26.9 and Chotanagpur division 9.2. But this finding is not enough to upset our above inference for the simple reason that the net addition to the industrial output made by these centres forms a small proportion to the total output.

In all the districts of Chotanagpur, whether industrially more or less advanced than each another, the metal and metallic-product-based industries top the list. Their predominance can be explained in terms of the existence of a hereditary class of artisans and a wide market for them in the different districts. The chemical and chemical products-based industries secure the second place in order of importance in most of these districts and this is attributable to the existence there of a market for these products as well as the availability of skilled labour and technicians. Another reason favouring both categories of industry is that with about one-fifth of Bihar's total population Chotanagpur is responsible for almost three-fourths of the total generation of electricity in the State. Dhanbad with hardly two per cent of the State's total population consumes nearly 65 per cent of the total power supply. Besides, electricity costs less in Chotanagpur. Both groups of industry manifest very high coefficients of localisation ranging from 0.57 to 0.97. The relatively large shares claimed by the extractive mineral raw materials-based industries in Hazaribagh and Dhanbad are due to the abundance of extractive raw materials in the mineral belt of these industries. Chotanagpur accounts for nearly 41 per cent of India's total mineral production. It produces 100 per cent of copper and apatite; 95 per cent of kyanite; more than 50 per cent of coal, mica, bauxite and china clay. It possesses almost 40 per cent of the country's known deposits of coal and the whole of its coking coal. It is also the principal iron-producing region in India. Other minerals having significant output in this region are manganese, limestone, graphite, asbestos, salt-petre, glass sand, lead, silver, building stones, radio-active minerals, etc. Lastly, the large number of forest-based industrial units in Palamau district can be explained with reference to its enormous forest wealth.

Not only are the small-scale units concentrated in certain districts but also their growth is confined to those very districts. This shows that they are expanding in those places where an industrial complex of some size has already sprung up. It follows that the common argument that they tend to decentralise does not seem to have much force or weight in the context of our practical experience. If they are desired to be taken to new centres, they will have to be chosen carefully and the overhead facilities required by them will have to be created well in advance.

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A number of the small-scale engineering units in Chotanagpur are dependent on the large-scale ones for their business. They take on job work and specialise in such fields as casting, machining, plating, welding, tinning, heat-treating and painting. They incur lower overhead costs. Because of their specialisation in particular lines they are able to produce goods at a lower average cost compared to their large-scale counterparts. The iron and steel industry has provided an impetus to the growth of a multitude of engineering industries in the region. Our calculations made in another work borne out very high co-efficients of linkage (or greater dependence) of 0.56 and above between these industries. Units manufacturing wire nails and panel pins, industrial fasteners, ferrous metal and iron products, etc., have sprouted up in Chotanagpur division with a view to acquiring the economies of agglomeration. Good progress has been made in recent years in the development of small-scale ancillaries at Adityapur (near Jamshedpur), Hatia (Ranchi) and Bokaro.

In spite of heavy industrialisation (TISCO and TELCO at Jamshedpur, HEC at Ranchi, the steel plant at Bokaro, the fertiliser plant at Sindri, etc.) of Chotanagpur, there has emerged little spread, multiplier, demonstration or leverage effect from it. The few industrial cities in the region are like an oasis outside a few miles of which the desert of the primitive economy still stretches over a wide expanse. The Central Government (as also some of the State Government) projects are those of long gestation. But this is not the sole reason for want of industrial nucleation or radiation. Outside capital dominates the large-scale industries owned privately and, as a result, bulk of the surplus generated in them leaks out of the State. A veritable drain or leakage swamps away the leverage effect. Our previous study has revealed to us that the growth of the large and medium-scale units has effectively stimulated the growth of the small-scale ones only in Dhanbad district of Chotanagpur (and Patna district in South Bihar), and this only to a limited extent.

Unless special measures are adopted to encourage and establish ancillary, feeder and derived industries, the multiplier values of the nodal points cannot be realised. The Government has to step in either alone or in partnership with private enterprise to start new medium and small-scale industries where private enterprise fails to respond on its own accord.

The Chotanagpur region remains deficient in its capacity to manufacture producer goods, e.g., machinery, agricultural implements, general and jobbing engineering, railway workshops, re-rolling mills, small forges and foundries. In this region state action may consist in exploiting to the maximum possible extent the heavy industrial bases already existent there by means of the establishment of ancillary enterprises and the creation of adequate tertiary activities around the large-scale factory sites, giving them the character of industrial complexes (for example, Maithon and Muri in the Damodar Valley; the

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Subarnarekha basin having Ranchi, Hatia, Adityapur near Jamshedpur; Ramgarh, Bokaro, Patratu, Sindri and Barkakana near the Karanpura coal field). There is ample scope for developing a large aluminium complex in Palamau and a large hard-coke complex at Jharia.

Agriculture and land utilisation have decayed in the vicinity of the mining and industrial pockets in this region, although normally with their increased purchasing power they should have stimulated agriculture and activities allied to it. The explanation for this can profitably be sought in the theory of kinked supply curve of labour in a low-income economy. But some light upon this is cast also by the very nature of agriculture in this region. In Chotanagpur the proportion of the sown land area varies inversely with the proportion of forest land in a district. Agriculture is less intensive because the land there is less fertile. Chotanagpur is primarily a region of a one-crop economy. The chief reason for this is that agriculture in this region is a monsoon-season occupation. During the monsoon season even the sloping terraced lands have moisture sufficient for the rice crop. But during the rest of the year even the lower parts of the terraced lands in this region of marked slope and over-drainage have little moisture in the soil for the germination and growth of *rabi* crops. The uplands become all the more worthless in this respect. Much of the fallow area in Chotanagpur is marginal and sub-marginal and is more suited to forestry, horticulture and pasture than to pure farming. Water is the most crucial limiting factor for intensive farming. It holds the key to the intensification of farming. But there are physical limitations or constraints on the growth of irrigation facilities in Chotanagpur and short of these facilities, agriculture cannot become really viable or prosperous. In this region dispersed dwellings and hamlets predominate. There is nothing like the congestion noticed in the rural settlements of the Gangetic plain where dwellings are closely huddled together with narrow lanes, or even without lanes between them.

There are three principal barriers to the industrialisation of the Chotanagpur region, viz., (a) inadequacy of socio-economic overheads or infrastructure and other external economies, (b) impediments to private enterprise (for instance, in many cases the producers do not have free access to the inputs they want to employ, nor can they determine the level of output and the site of their business independently, as provided in the industrial licensing policy) and (c) deficiency of supply of private entrepreneurship even when there are no such hindrances.

The limited availability of managerial and technical skills has put the region in a disadvantageous position with respect to engineering, chemical and durable consumer goods industries that may not in all cases be material-or resource-oriented. Shortage of water supply (to general engineering and aluminium works) is, short and erratic

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(reflected in frequent failures and trippings) supply of power (to coal mines and washeries, steel plants, general engineering, heavy chemical units, etc.), high transport costs (incurred by agro-industries), high energy tariff (affecting aluminium utensils-manufacturing enterprises), transport bottlenecks in obtaining raw materials and coal or moving finished products (besetting bricks and tiles, glass and glasswares and ceramic industries), paucity of raw materials available inside the country (experienced by vanaspati, general engineering, brass and bell-metal producers) or imported from outside the country (by glass and glasswares, radio and radiograms, insulated cables and wires industries), predominance of inferior raw materials (in agro-industries), competition from producers of improved-quality substitutes (as in brass and bell-metal utensils and country-made padlocks), dearth of finance (in aluminium utensils industry), production with worn-out capital equipment (in agro-industries) and the imposition of sales tax on raw materials (as in the oil industry) are some of the outstanding difficulties facing the industrialists in this region (as elsewhere in the State). The continued inaccessibility of some of the areas in Chotanagpur, particularly the unexploited mineral potential of Palamau, is an instance of the inadequacy of transport. The mineral and industrial development of this district can proceed only on the basis of a crash programme for road and railway transport. While local capital can be successfully tapped for the small-scale industries, the structural base for the Chotanagpur economy would require huge chunks of outside capital to keep pace with the demands of growth and to gather the momentum of growth which would produce the desired spread or multiplier effect.

TABLE 1

District-wise Distribution of Registered Factories

Districts	*Number of registered factories*	
	March 1962	*March 1964*
Hazaribagh	125	261
Ranchi	150	208
Dhanbad	104	145
Palamau	36	42
Singhbhum	161	277
Total for Chotanagpur	576	933
Total for Bihar	1,944	1,963

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TABLE 2

District-wise and Industry-wise distribution of large-scale and medium-scale units in Chotanagpur (as in 1966 Directory)

Sl. No.	*Industry*	*Hazaribagh*	*Ranchi*	*Dhanbad*	*Palamau*	*Singhbhum*	*Total for Chotanagpur Division*	*Total for Bihar State*
1	2	3	4	5	6	7	8	9
1.	Machine tools	—	1	—	—	—	1	2
2.	Textiles	—	2	—	—	—	2	15
3.	Drugs and pharmaceuticals	—	1	—	—	—	1	3
4.	Sugar	—	—	—	—	—	—	30
5.	Fermentation	—	1	—	—	—	1	6
6.	Food processing	—	—	1	—	—	1	8
7.	Metallurgical	—	6	8	2	21	37	48
8.	Transportation	—	—	—	—	3	3	6
9.	Industrial machinery	—	3	4	—	1	10	14
10.	Agricultural machinery	—	1	—	—	1		6
11.	Vegetable oils and vanaspati	—	—	1	—	—	12	13
12.	Timber products	—	—	—	—	—	—	2

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1	2	3	4	5	6	7	8	9
13.	Paper and pulp including paper products	—	—	—	—	—	—	6
14.	Electrical equipment	—	2	2	—	2	6	9
15.	Leather and leather goods and pickers	—	—	—	—	—	—	2
16.	Glass	1	—	3	—	2	6	7
17.	Commercial, office and household equipment	—	—	—	—	—	—	1
18.	Chemicals other than fertilisers	—	—	4	—	6	10	11
19.	Soap, cosmetics and toilet products	—	—	—	—	—	—	1
20.	Cement and gypsum products	—	—	1	2	1	4	8
21.	Ceramics	3	1	19	—	1	24	24
22.	Telecommunication equipment	—	—	1	—	—	1	1
23.	Fertilisers	—	—	3	—	—	3	3
24.	Earth-moving machinery	—	—	—	—	1	1	1
25.	Fuels	1	—	1	—	1	3	3
26.	Miscellaneous	—	—	—	—	—	—	1
	Total	7	18	48	4	40	117	231

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TABLE 3

District-wise and industry-wise distribution of large-scale and medium-scale units in Chotanagpur (as in 1969 Directory)

Sl. No.	*Industry*	*Hazari-bagh*	*Ranchi*	*Dhan-bad*	*Pala-mau*	*Singh-bhum*	*Total for Chotanag-pur Division*	*Total for Bihar State*
1	2	3	4	5	6	7	8	9
1.	Metallurgical	1	6	8	—	1	16	23
2.	Electrical equipment	—	2	2	—	2	6	9
3.	Transformation	—	—	—	—	3	3	6
4.	Industrial machinery	1	3	4	—	1	9	13
5.	Agricultural machinery	—	1	—	—	1	2	5
6.	Textile	—	1	—	—	—	1	8
7.	Sugar	—	—	—	—	—	—	29
8.	Food processing	—	—	1	—	—	1	11
9.	Vegetable oils and vanaspati	—	—	1	—	—	1	14
10.	Leather, leather goods and pickers	—	—	—	—	—	—	2
11.	Glass	1	—	3	—	1	5	6

1	2	3	4	5	6	7	8	9
12.	Other products of iron and steel	—	—	–	—	—	—	1
13.	Commercial, office and household equipment	—	—	—	—	–	—	1
14.	Chemicals other than fertilisers	1	—	4	—	6	11	12
15.	Paper and paper pulp and other products	—	—	—	—	—	—	6
16.	Soap, cosmetics and toilets	—	—	—	—	—	—	1
17.	Cement and gypsum products	—	—	1	2	1	4	8
18.	Machine tools	—	1	—	—	—	1	2
19.	Fermentation	—	1	—	—	—	1	6
20.	Timber products	—	—	—	—	—	—	2
21.	Fuel	1	—	1	—	—	2	3
22.	Drugs and pharmaceuticals	—	1	—	—	—	1	2
23.	Woollen	—	—	—	—	—	—	1
24.	Industrial alcohol	—	—	—	–	—	—	1
25.	Ceramics	4	1	18	—	1	24	24
26.	Telecommunication	—	—	1	—	—	1	1
27.	Fertiliser	—	—	3	—	—	3	3

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1	2	3	4	5	6	7	8	9
28.	China-clay and pottery	—	—	1	—	—	1	1
29.	Tiles	—	—	1	—	—	1	1
30.	Ferro-alloy	—	—	—	—	21	21	21
31.	Earth-moving machinery	—	—	—	—	1	1	1
32.	Miscellaneous	—	—	—	—	—	—	1
	Total	9	17	49	2	39	116	134

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TABLE 4

District-wise and industry-wise distribution of registered small-scale units in Chotanagpur (as in 1966 Directory)

Sl. No.	*Industry*	*Hazaribagh*	*Ranchi*	*Dhanbad*	*Palamau*	*Singhbhum*	*Total for Chotanagpur Division*	*Total for Bihar State*
1	2	3	4	5	6	7	8	9
1.	Food production	—	6	—	2	2	10	54
2.	Furniture & fixture	1	4	1	3	1	10	41
3.	Printing	—	1	—	—	—	1	7
4.	Chemical and chemical products	10	10	24	2	24	70	184
5.	Non-metallic mineral products (except products of petroleum)	9	7	1	1	1	19	63
6.	Metal products	14	52	29	13	29	137	591
7.	Transport equipment	—	—	2	—	2	4	29
8.	Paper and paper boards	1	1	—	—	2	2	8
9.	Wood and cork products except furniture	1	3	—	1	—	5	9

1	2	3	4	5	6	7	8	9
10.	Textile	—	1	—	4	—	5	7
11.	Footwear, other wearing apparel and made-up textile goods	1	1	1	—	1	4	17
12.	Electrical machinery, apparatus, appliances and supplies	—	3	3	—	3	9	51
13.	Tobacco and tobacco products	—	—	1	—	1	2	6
14.	Rubber products	—	1	—	—	—	1	1
15.	Electricity, gas and steam	—	—	1	—	—	1	1
16.	Miscellaneous	2	13	2	1	2	20	65
	Total	39	103	65	27	66	300	1134

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TABLE 5

District-wise and industry-wise distribution of registered small-scale units in Chotanagpur (as in 1969 Directory)

Sl. No.	*Industry*	*Hazaribagh*	*Ranchi*	*Dhanbad*	*Palamau*	*Singhbhum*	*Total for Chotanagpur Division*	*Total for Bihar State*
1	2	3	4	5	6	7	8	9
1.	Food products	3	6	1	3	5	18	130
2.	Beverages	—	1	—	—	—	—	6
3.	Tobacco and tobacco products	—	1	1	—	2	4	8
4.	Textile	—	1	—	2	1	4	28
5.	Footwear, other wearing apparel and made-up textile goods	1	1	1	5	2	10	37
6.	Furniture & fixture	2	6	9	4	3	24	88
7.	Wood and cork except furniture	1	5	—	2	26	34	65
8.	Paper and paper products	2	2	—	—	2	6	18
9.	Printing	—	1	—	1	3	5	18

1	2	3	4	5	6	7	8	9
10.	Rubber and rubber products	—	1	—	—	1	2	7
11.	Chemical and chemical products	17	14	32	3	38	104	301
12.	Non-metallic mineral products except products of petroleum and coal	18	8	5	2	14	47	92
13.	Metal products	17	70	38	19	67	211	818
14.	Electrical machinery apparatus, appliances. etc.	—	5	5	—	4	14	88
15.	Transport equipment	—	3	3	—	9	15	47
16.	Leather and fur products except footwear and other wearing apparel	—	1	—	—	—	1	2
17.	Electricity, gas and steam	—	—	1	—	—	1	5
18.	Miscellaneous	3	18	6	1	8	36	125
	Total	64	144	102	42	185	537	1883

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TABLE 6

District-wise distribution of small-scale units

Districts	*Number of units of all scales of industry*	
	1966 Directory	*1969 Directory*
Hazaribagh	46	73
Ranchi	121	161
Dhanbad	113	151
Palamau	31	44
Singhbhum	106	224
Total for Chotanagpur Division	417	653
Total for Bihar	1365	2017

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PART FOUR

THE EPILOGUE

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23

Indian Drama of Democratic Planning An Institutional - Sociological Approach*

Democratic planning** in India eschews "direct commandeering of resources" and it "operates mainly through the price mechanism". It does not envisage the "regimentation" of the economy. Economic policy and institutional changes are planned in such a manner as to "secure economic advance along democratic and egalitarian lines". The economy does not become "a monolithic type of organisation". The society is to develop as an integral whole. The position which particular classes occupy at any time is to be altered "without reliance on class hatreds or the use of violence". No reprisals against those classes which are associated with the inequities and deficiencies of the old order are conceived. But there is no intention to condone the existence or accentuation of sectional privileges. The concentration of incomes, wealth and economic power is to be progressively reduced. The benefits of economic development are to accrue more and more to the relatively less privileged classes of society. The central goal is rapid economic development, accompanied by continuous progress towards equality and social justice. The state is to exercise effective power, based on the active co-operation of its citizens, in the furtherance of this goal in an earnest and determined manner. The democratic values are to be given effect to by encouraging the growth of "a feeling of participation on the part of the small man, promotion of enterprise among the disadvantaged classes and the creation of a sense of involvement in the transformation of society among all sections of the community". The major decisions, including those regarding socio-economic

* *a la* Gunnar Myrdal's *Asian Drama*. This chapter purports to be an extension and updating of the discussions embodied in the previous chapters. Illustrations and applications are consigned to the *Notes* at the end of this chapter.

**This section is clad in the language of the Five-Year Plans. For details the readers are referred to our earlier book *Problems of Economic Development...*, Sterling Publishers, New Delhi.

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relationships, are to be made by agencies informed with social purposes. Devolution of functions between these agencies and scope for experimentation in this devolution are permitted. The ends of policy have a large measure of agreement in the community. There is a basic unity of purpose from the community's point of view. The party in power is supposed not only to carry public opinion with it but also to enlist the active co-operation of all sections for the reason that "the greater the responsiveness of the party in power to trends of opinion outside, the greater will be its effectiveness for action". The programme of action adopted for the country is supposed to reflect the unity of outlook and approach among the members of the party in power and to draw forth at the same time the support and co-operation from shades of opinion outside the party for the reason that these would guarantee "the necessary momentum and continuity" to that programme. The various sections of society have to maintain a high standard of discipline and restraint while necessary changes take place. The wider and deeper social values or basic objectives of democratic planning are summed up in the phrase "socialist pattern of society" introduced in its discussion in 1956. This is a more concretised expression or the distillate of our planning.

A notable feature of India's democratic planning is the co-existence of the private and the public sectors. The Indian economy is a mixed economy. Its corner-stone is the establishment of democratic socialism. The two sectors are to function "as parts of a single organism". They are not "two separate entities". They have to act in unison, as "parts of a single mechanism". They are to inter-penetrate each other. Their development is to be "simultaneous and balanced".

Another striking feature of the Indian brand of democratic socialism is "no complete nationalisation of the means of production or no elimination of the private agencies in agriculture or business and industry" but only their supplementation. By the same token, the public sector is to be widened progressively. But the expansion of the public sector is "not to mean centralisation of decision-making and of exercise of authority". In a growing economy which gets increasingly diversified there is scope for both the private and the public sectors to expand simultaneously. However, for a faster rate of development and a more effective contribution to the attainment of the larger social ends in view, it is imperative that the public sector has "to grow not only absolutely but also relatively to the private sector". It has to play a dominant, pivotal role in shaping the entire pattern of investment in the economy directly or indirectly. For creating appropriate conditions it has to assume heavy responsibilities, as "the principal agency speaking for and acting on behalf of the community as a whole". It has to take an initiative, perform promotional and managerial functions, and so on, for the sake of the private sector as well as in a general way. Public ownership, partial or complete, and public control or participation in management

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are specially required in those areas in which technological considerations pave the way for a concentration of economic power and wealth.

Under democratic planning, the private sector has to accept certain obligations. It has to be reoriented to the needs of a planned economy. It has to function within the framework of the comprehensive plan accepted by the community, in harmony with its over-all aims and with an understanding of obligations towards the community as a whole. Private enterprise is looked upon as a device to further what are truly social ends and it can be justified in terms of the social results achieved by it. Therefore, the state has to see to it that the opportunities available to the private sector do not lead to the concentration of economic power in the hands of small numbers of individuals and businesses. Decisions in the private sector are to be influenced through controls and incentives which are interdependent, and together they would balance the loss of satisfaction in one case against the gain in the other. This apparatus will combine the financial (both fiscal and monetary) controls and incentives with the physical. The Government operations will have an expansionist trend. The ebb and flow of the over-all activity will be regulated. Inflationary pressures will be curbed. The banking system will be aligned to the needs of a planned economy. Differential taxation will assist in channeling productive resources at the margin. Rebates, concessions and incentives like financial assistance will be used as and when required. A structure of relative prices, which brings about an allocation of resources in conformity with the Plan targets, will be maintained. A reasonable rate of return on effort will be ensured. The commercial, financial and industrial institutions will be brought under general direction and control. There will be export and import controls. There will be control on production and on the movement of goods. There will be price controls and rationing. Industries and trades will be licensed. There will be sanctions of capital issues. Profit margins and wages may be fixed under an incomes policy. Scarce raw materials will be allocated to the producers and consumers (as in the case of house-building). Thus the joint system of direction and inducement will promote and facilitate the realisation of the targets set. But the final object of democratic planning will be to see to it that the structure itself changes in such a way that the desired balance of incentives and restraints gets built into it.

Another distinguishing feature of India's democratic planning is the strengthening of the co-operative form of organisation for avoiding excessive centralisation and bureaucratic control, to hold in check the self-centred, acquisitive instincts of the individual producer or trader, and to attract the small man into production.

Lastly, India's democratic planning aims at strengthening democracy in its social and economic aspects through the refashioning of

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the socio-economic institutions of the country. An institutional framework adequate to the needs and aspirations of the people is to be built up. This framework would accommodate progressively those fundamental urges which express themselves in the demands for the right to work,[1] the right to adequate income, the right to education, and the right to a modicum of insurance against old age, sickness and other disabilities. The existing social and economic institutions have to be appraised from time to time in relation to their roles in the nation's development. "To the extent that they do not adequately fulfil the social purpose or fail to secure the economic aims of planned development, they have to be replaced or transformed". India is to develop on the basis of democracy and socialism. Hence, the greatest stress has to be placed on social values and on the development of a sense of common interest and obligations among all sections of the community. The values and attitudes of a free and equal society have to be created. And there ought to be clarity in regard to these values. More progressive ideas have to be accepted. Persistent efforts to give a new sense of direction and purpose to the community have to be made. The inner forces of growth have to be fortified. Man has to be restored to a new sense of dignity.

Using the same vocabulary as Gunnar Myrdal does in his *Asian Drama* in relation to the whole of South Asia, we can say in respect of India that "behind all the complexities and dissimilarities" that we find in the country, we can sense "a rather clear-cut set of conflicts and a common theme as in a drama". Tension is mounting in this country : economically, socially and politically. The Indian drama has "its unity in a set of inner conflicts operating on people's minds : between their high-pitched aspirations and the bitter experience of a harsh reality"; "between the desire for change and improvement", on the one hand, and "mental reservations and inhibitions about accepting the consequences and paying the price", on the other. It gains "its fast pace from the terrific strength of the forces creating the conflicts". The gap between "the lofty aspirations" and "the abysmal reality" is widening. This intensifies "the movement of the drama".

I. Economic Realities

No other climatic element affects the economic system of India, as much as the *monsoon rains*, over four-fifths of which are received during the hot-wet weather. The performance of our agriculture falters, if the monsoon behaves erratically. Two major crop failures in succession in most parts of the country caused by excessive and/or deficient rains are capable of imperilling the future of the political party in power, if the disaster and relief management is not prompt and adequate. The *kharif* crop takes between 120 and 150 days to mature. A substantial part of the irrigation water, which supplies moisture to nearly one-fifth of the total cropped area

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in India, comes from the stored supplies of rain water in wells, tanks and reservoirs. Livestock rearing is largely dependent on the supply of adequate rainfall. Even the generation of hydro-electricity is chiefly dependent on rainfall. Power-cuts on account of poor rains are a familiar hurdle in the economic development of the country. Unseasonal rains (in April, in particular) damages the *rabi* crop heavily by rendering wheat moist and discoloured. Such wheat cannot be stored for long and has to be consumed quickly.

In India, out of the 142 million hectares of land cultivated, approximately 108 million hectares depend on rain-fed agriculture. So much acreage is responsible not only for 40 per cent of the total food production but also for nearly 80 per cent of our cotton, 90 per cent of our oil-seeds and most of our pulses. Half of the population living in this region lives in extreme poverty facing the constant uncertainty which aberration of weather brings.[2] This explains why it is necessary for us to maximise food production from such land by attempting both to increase agricultural production and to achieve its stability.

*Floods** are a disastrous outcome of the erratic behaviour of the monsoons. They cause serious damage to the standing crops. The errant nature of the monsoon, with long spells of dry weather and high errant temperature causes a drought in some part or other of India every year. On an average, one year in every five is a drought year. Droughts frustrate the efforts of the farmers in over 70 per cent of the total area under cultivation. Even in the normal rainfall year irrigation facilities are essential for cultivating the *rabi* crop over most parts of the country.

'*Drought*' in India refers to a situation when the rainfall for a week is half the normal or less, when the normal rainfall is 5 mm. or more for the week. Agricultural drought is a period of four such consecutive weeks during the rest of the year. Droughts have been occurring periodically, largely due to the variability of the south-west monsoon, from which 80 per cent of the annual rainfall is received during the period from June to September in most parts of the country. Not only a low rainfall but also an untimely distribution of fairly high rainfall can lead to drought.

In India as many as 128 districts, accounting for about 68 million hectares, have low to medium rainfall under 1,125 mm. annually, besides very limited irrigation facilities. Of these districts, 25 are characterised by very poor rainfall in the range of 375-750 mm. annually with an irrigated area of 5 to 10 per cent of the total cropped area. Another 91 of these districts receive annual rainfall ranging from 750 to 1,125 mm. The total net sown area in these districts is 42 million hectares, of which about 5 million hectares are irrigated. Agriculture in these dry farming areas is faced with the twin problems

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*Data derived from the *Times of India Directory and Year Book 1981-82.*

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of low productivity and high instability. Since the drought regions usually have low water resources, they may have to depend on rain-fed agriculture with its attendant risk of instability in years of bad monsoon.

The chronically affected drought areas account for 19 per cent of the total geographical area of the country and 12 per cent of its population.

A drought compounds the people's misery by also inevitably hurting the next *rabi* crop, as there is little moisture in the soil at sowing time. It accentuates social and economic inequalities through increased transfer of assets from the lower to the higher groups in the affected areas with a view to warding off near starvation caused by increased unemployment and rising prices.

Like fire-fighting, drought-management is a highly complex operation requiring much advance preparation. Bureaucratic hitches often stand in the way of efforts to provide adequate financial and other forms of succour to the people affected by a drought. A century-old Famine Code lays down certain criteria, which determine the extent of help an area declared as drought-ridden is entitled to receive. The yard-stick is severe because it is intended to apply to the famine-stricken areas.

The Seventh Finance Commission sought to introduce the element of typology of disasters and distinguished between a flood and a drought. But experts have argued (see A. Rangaswami, *Statesman*, Delhi, July 7, 1982) that these two terms have a whole range of meanings and are hardly an index of severity. The Flood Control Commission has pointed out that during the last decade, while there has been a proportionate decline in the share of crop damage and damage to houses, there has been an inordinate increase in the damage to the public utilities from 8 per cent to 28 per cent due to floods. The pressure from farm lobbies for loans and grants has been, to a large degree, responsible for the declaration of drought and scarcity in certain areas where neither has existed. The national minimum for the disaster victims, that is, the relief to them, is to include the minimum calorie requirements of their families (dependants are to be counted), aid for regaining normal health, shelter, medical help and preferably also lighting and fuel. A system of disaster preparedness is to be built up. Epidemics often accompany natural calamities. They have to be combated. Water and fodder must reach the cattle. Food and water must be moved and delivered to the victims by strengthening the public distribution system and by building grain stocks in blocks, for which the trains and road transport agencies have to be toned up. The relief funds should not be allowed to be misappropriated by politicians, bureaucrats and middle-men.[3]

Kharif paddy needs adequate and regular monsoon rains, almost knee-deep water. In times of the failure or delay or deficiency of

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these rains, high and marginal lands sown with paddy can be diverted to drought-tolerant crops like oil-seeds and pulses. Short-duration varieties of paddy can be grown in low lands to make good the loss of time in the transplantation of paddy seedlings.

More work and investment on some selected dry-area crops in India have been accompanied by a higher growth potential than irrigated wheat and rice, according to the experiments and pilot projects conducted by the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT). The main objective of dry-land technology is to stabilize production by mellowing the effects of droughts which are common in those areas and to capitalize on good rainfall years. The scientists have selected crop varieties which are relatively photo-insensitive and of a shorter duration, with resulting ability to surmount droughts. They have also developed different cropping patterns to suit different situations. They have suggested specific inter-croppings, tailored to suit different rainfall patterns. However, it is an arduous task to develop and apply a package of rain-fed practices. Most important is the human element at the level of both the farmer and the farm administration. The farmers understandably are extremely hesitant to invest on the recommended plan because of the haunting spectre of drought. If the rains fail even in normal times, they are reduced to destitution and have to sell their cattle and assets and move to other places for food and work. To induce them to take the extra risk of buying the inputs and tools is not easy. Even for its pilot project in the areas most suited, the ICRISAT has to arrange full risk coverage for the few selected farmers. Mere motivation is not enough. Besides, the initial effort required to introduce the "small watershed" system evolved by the ICRISAT needs the help of engineers and other skilled persons to give proper shape to the land and the drains. The basic infrastructure in the dry or rain-fed areas reveals several chronic shortcomings. The social and technical complexities are even greater in the crucial area of providing the minimal supportive irrigation. In several States farmers are not easily persuaded to do collective work on drains and channels even when institutional finance is available for the purpose.

The remedy is two-fold : firstly, to introduce crop and cattle insurance to back up the use of new technology in the dry or rain-fed areas and, secondly, to build up a management infrastructure in which the States would become partners with the millions of small and marginal farmers in the managment of a modern agriculture wholly owned by the farmers themselves. Without their switching-over to the new techniques these farmers are liable to become outcastes and to be thrown on the scrap-heap.

There may be "no real alternative to training the farmer in his own field while also providing opportunities for his practical education in the successful methods adopted in conditions similar to his own and in demonstrating the possibilities of insurance against crop

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losses through choice of appropriate sowing dates, use of field ponds to impound rain water, adoption of approved ways of inter-cropping and relay cropping of short-duration varieties and in developing acceptable subsidiary occupations to provide work and income in the long interval between the *kharif* harvest and the next monsoon" (K. Rangachari, *Statesman*, August 7, 1982).

We have lost nearly 4.5 million hectares of *forest* in the past three decades. Of these, nearly, 2.5 million hectares have been released for cultivation, and about 0.5 million hectares for the construction of the river-valley projects. The clearing of forests in its turn has set up a chain reaction. The area susceptible to flood damage rose from 20 million hectares in 1970 to 40 million hectares in 1980. Nearly 8 million hectares of land and 27 million people are affected by floods every year and the loss caused is estimated at Rs 1,000 crores.

The prime cause of the wide gap between the demand and the supply of industrial wood and fire-wood is the excessive human and cattle population of India. The country has only 2 per cent of the earth's land area and 1 per cent of its productive forest area but 15 per cent of its total human population and 10 per cent of its total cattle population. Alongside of human population planning there ought to be, therefore, cattle population planning.

A massive social forestry programme is needed to augment the supply of fodder, green manure and fire-wood.[4] The national and community interests demand the preservation and protection of the remnants of our forests and natural environment for the continued sustenance and betterment of human life. Deforestation has caused floods and soil erosion downstream. But any reform programme must reconcile itself with the basic facts of the socio-economic life of most tribals which turns mostly on forests.

While the 12 million additional urban population of the last decade (1971-81) took only 0.5 million hectares of land for living, another 3.5 million hectares were gobbled up by other non-agricultural uses. Indiscriminate felling of trees, dumping of industrial effluents and untreated sewage into rivers, poaching and other such ecologically harmful agricultural practices continue. The environmental or ecological factor has not been sufficiently taken into account in the course of our economic development.[5] This has resulted not only in the deterioration of the *environment*[6] but has also caused social disruption. There is hence a need to harmonize development with nature by minimising (if elimination is impossible) the curse of pollution.

Kusum Nair had found in her survey that throughout India the best farmers were to be met not necessarily in communities most favourably endowed with material resources but in those which were traditionally agriculturist by caste. Certain castes had an inher-

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ited respect for agricultural work and were not precluded by religion or tradition from working on land and even as tenants or landless labourers they were superior in husbandry to the non-working castes of land-owners. The arts of cultivation were in their blood.

Another finding of Nair was that the peasant communities differed not only in their attitude to manual work but also in respect of their other traits and aptitudes, such as thrift, industry, mobility and readiness to exploit an economic opportunity. These differences made the task of planning all the more complicated. They were noticeable among communities, within groups in the same region and even in the same locality, otherwise enjoying in all respects equal resources and opportunities. The implication was clear : in the absence of common values, a uniform response to common incentives and stimuli could not be expected. Variations in the value system made all the difference to the extent of success or failure of a development scheme, independent of the material and natural resources. They also defeated the basic purpose of many of the reforms, policies and programmes, which were Centrally-framed for uniform and universal application to all rural communities throughout the country.

Indian *agriculture* is saturated with workers. Further sub-division and fragmentation of land are continuing unabated, leading to a phenomenal increase in the number of marginal and small holdings since the last census in 1970-71. The agricultural census of 1976-77 placed the total operational holdings at 81.5 million, as against 70.5 million in 1970-71. There was an increase of 15.6 per cent in the number of operational holdings since the last agricultural census in 1970-71. The increase in the total area operated was absolutely infinitesimal at 0.3 per cent between the two censuses. Evidently, the rise in the number of holdings resulted from the further sub-division and fragmentation of holidings. Moreover, the average size of the operational holdings grew smaller to 2 hectares, from 2.3 hectares previously. The rise in the number of marginal holdings (of less than one hectare) to 44.5 million from 35 6 million between 1970-71 and 1976-77 came into sharp focus. This increase was sizable at 25 per cent. The share of the marginal holdings in the total operational holdings in 1976-77 was about 55 per cent as against 51 per cent in 1970-71. The marginal and small holdings of less than two hectares in size accounted for 60.2 million, amounting to 72.62 per cent of the total operational holdings in the country. In the average size of the farm Rajasthan (5.5 hectares), Maharashtra (4.65) and Gujarat (4.49) stood at the top, whereas Bihar (1.5), Assam (1.46) and Kerala (0.75) stood at the bottom of the ladder.

Thus about 75 per cent of the operational holdings were below the average size. 35 per cent of the rural holdings were less than 0.20 hectare each. The corresponding proportion in 1970-71 was 69.6 per cent. What is striking here is the fact that the share of marginal and small holdings together in the total operational area was only 23.4 per cent in 1976-77 and 20.9 per cent in 1970-71.

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According to Kalra's official paper,* in sharp contrast to the above, large holdings of 10 hectares and above accounted for only 3 per cent of the total operational area in 1976-77 against 3.9 per cent in 1970-71. Besides, only 3 per cent of land holdings of 10 hectares and more accounted for 26.5 per cent of the total operational area against 30.9 per cent in 1970-71.

If the medium-sized holdings between 4 and 10 hectares are taken into account, large[7] and medium-sized holdings (4 hectares and above,) comprised 14.6 per cent of the total holdings, and amounted to about 57 per cent of the total area under cultivation in 1976-77, as against 15.2 per cent holdings and 60.6 per cent area in 1970-71.

Kalra's official paper sharply points out that between 1970-71 and 1976-77 the rise in the number of marginal and small holdings was of the order of 10 million, with the marginal holdings going up by 8.6 million. The increase in the number of marginal holdings was mainly on account of the sub-division of larger holdings as well as further fragmentation of marginal holdings.

Agricultural labour households with land (which increased to 78.6 per cent) and non-agricultural rural labour households, which could be called the hard core of the rural proletariat, increased by 34 per cent as against 16.6 per cent in respect of all rural households, with the result that they constituted about three-fifths of the rural households in 1974-75 as against a little more than one-half earlier.

Kalra categorized four types of rural households. (1) Rural labour households with land; (2) Rural households operating below one hectare other than agricultural labour households with land; (3) Agricultural labour households without land, and (4) Non-agricultural rural labour households. All these bore the largest incidence of rural poverty and unemployment. Hence, increase in their size reflected the correlated increase in pauperization, unemployment and under-employment. While the first two categories showed the maximum increase, the last two categories assumed formidable proportions.

The four categories increased from 30.9 million in 1964-65 to 53 million in 1974-75, constituting 63.7 per cent of the total rural households in 1974-75 as against 55.3 per cent in 1964-65.

As three-fourths of the average diet in India is in the form of cereals and pulses, our main problem is to increase the production of foodgrains.[8] However, with regard to wheat production it has been suggested recently that some sort of an output plateau has been reached and that the steep increases in fertilizer consumption of the past years (it rose by nearly 43 times in the past quarter of a century)

*Based on the data derived from the results of the two agricultural censuses and the rural labour enquiries conducted by the Labour Bureau in 1964-65 and 1974-75.

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will not be repeated in the future. This in itself is a highly disturbing prediction, considering our growing needs. Given the close relation between fertilizer consumption and farm output, the projected fall in the demand for fertilizer could have important consequences for the economy in the long run. The Fertilizer Association of India (FAI) blames the pricing and delivery systems for this, whereas the National Council of Applied Economic Research (NCAER) lays greater stress on sociological factors. About 85 per cent of the nearly 6 million tonnes of chemical nutrients produced are used in the irrigated area which is only one-third of the gross cropped area. Rice, wheat and sugar-cane claim 77 per cent of total fertilizer. Less than 20 kg. of fertilizer per hectare is used in the eastern region, with the exception of West Bengal where the figure is 36 kg. per hectare. This contrasts with Punjab's 120 kg. per hectare. The disparities exist because of the failure of the extension agencies to develop and propagate the right nutrient package. The much publicized "T and V" system of extension to educate the farmer has failed even to get off to a good start, except in a few pockets. The rural credit structure has emerged as perhaps "the biggest fiction" created in the farm sector.

In the absence of an effective and efficient market structure of *pulses* and *oilseeds*, their price behaviour discloses a wide divergence between markets and between seasons. Abnormal spatial and intra-seasonal price variations, much in excess of carrying and transport costs, reflect the anomalies in the existing marketing system and deprive the producer of his due share of the prices paid by the consumers. Similarly, a bumper out-turn of sugar-cane calls for extension of the crushing season by the mills; of onions and potato more transport traders and marketing facilities; and of tobacco quicker payment by traders.

There is good scope for appreciably improving the efficiency in the use of fertilizers in the rain-fed districts by passing on the techniques of their proper application to the peasantry. Many farmers are inhibited by a misconception regarding the after-effects of the use of fertilizers. About a fifth of the farmers, who do not use chemicals, are either not aware of their existence or believe them to be harmful. This does not speak favourably of the efficacy of the extension services. Inadequate irrigation facilities is another chief reason for farmers not using nutrients. Insufficiency of credit is another reason, especially in the case of small and marginal farmers.

Depletion of soil fertility owing to the natural factors or over-cropping by hostile[9] tenants is a vital factor causing low crop yields. In certain localities irrigation projects are reported to have led to the spread of vector-borne diseases and have sometimes caused nutritional disorders, besides creating problems of water-logging, salinization and soil erosion. Our agricultural future would turn on "how fast and how well we project the renewal base of land water-based professions".

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The physical and financial hazards run by the Indian farmers are many. Long months of toil may be nullified by pests, diseases or natural calamities. To avert physical hazards, the Government, in recent years, enjoined on its banks to advance *loans to farmers* liberally. In consequence, advances of the banks to the private sector registered a remarkable rise since bank nationalisation—there were 2,60,000 borrowal accounts valued at Rs 441 crores in 1969, compared to 11 million borrowal accounts worth Rs 5,947 crores in December 1979. But further steps were considered necessary in 1981 to reach the 40 per cent target of bank advances to the private sector. Priority sector advance was 14.6 per cent of the total in June 1969, which increased to 34.4 per cent in December 1979. The target of 40 per cent was to be achieved by March 1985. The Government initiated steps to direct the flow of credit within the priority sector to those sections of society which called for special attention. The concept of weaker sections within the priority sector was to mean, in the agricultural sector, small and marginal farmers[10] with landholdings of 5 acres or less and landless labourers with borrowal limits of Rs 10,000. In the small-scale industry sector the weaker sections were to consist of artisans, and craftsmen, engaged in cottage and village industries and those in other small units with credit limits not exceeding Rs 25,000. It was decided that at least half of a bank's direct lending to agriculture should go to the weaker sections by 1983. In the small-scale industry sector the weaker sections would account for 12.5 per cent of the total advances of the banks to the small-scale industry by 1985, as against 6.25 per cent in 1981. The coverage of the priority sector was widened to include housing loans for the scheduled castes and scheduled tribes and other economically weaker sections. The limit of loans in those cases would be Rs 5,000. Similarly, the weaker sections were also indentified in other groups, such as retail trades, professional and self-employed persons, transport sector, and the like. To ensure co-ordinated action at ground level, the lead banks were asked to draw up district credit plans to provide a framework for their lending operations. While this is all very well in its own way, it is equally imperative that the over-emphasis on the attainment of the targets should not lead to the under-playing of the importance of giving loans to the right people for the right purposes under political and sectional pressures.

The indebtedness of the farmers was increasing rapidly. Overdues in the farm sector exceeded half of the total advances in 1981. In June 1981 the percentage of recoveries of bank advances in the rural sector was 69.5 per cent in the northern region, 31.5 per cent in the north-eastern region and 54 per cent in the southern region. The outstandings in respect of advances by the public sector banks to agriculture and other constituents of priority sector as on December 1980 totalled Rs 7,834 crores (36.4 per cent of the aggregate credit of the public sector banks), the biggest component of which was the small-scale sector with Rs 2,911 crores, followed by direct finance to the extent of Rs. 2,695 crores.

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The big farmers, who have an easy access to co-operative and commercial bank loans, prefer to hold them in their own hands to finance their stock-piling or speculative activities.[11] Even in the case of small farmers, there have been cases where funds lent for buying buffaloes, cows, etc., were spent on other purposes. On enquiry, the banks were told that the animals had died. A nationalised bank had built a row of shops for cobblers and financed the needy to set up there. But most of the shops were soon let out at a profit by the people for whom they were intended. For consumption loans the indigent sections had to turn to private sources incessantly and the production loans advanced by the institutional sources leaked into the consumption stream in a high percentage. The 'wage fund' theory had still some hold on the determination of capital accumulation in the agrarian economy. Money-lenders were still the high-priests for the rural poor.

The enactment of a legislation by the States might enable the recovery[12] of priority sector loans through the revenue authorities on the lines applicable to co-operative credit. In passing, it may be stated here that the co-operative movement needs depoliticalization and deofficialization so that it becomes a people's movement.

According to the National Accounts Statistics (January 1981), capital formation in Indian agriculture during 1978-79 was Rs 4,848 crores out of a total capital formation of Rs 23,141 crores. Supporting 70 per cent of the population and contributing nearly 40 per cent to the national income, Indian agriculture had to make do with only 20.9 per cent of the current total capital formation.[13] The plantations of tea, coffee, tobacco and rubber were an important form of capitalist farming.

In order to convert a 2.4 hectare farm (small) into a self-contained productive unit, the minimum investment needed in 1981 was as follows : A pair of bullocks—Rs 4,000; a shallow tube-well with pump-set and water channels and pipes—Rs 10,000; a thresher—Rs 3,000; and sprayers and other small farm implements—Rs 2,000—giving a grand total of Rs 19,000. On a per hectare basis, this worked out to approximately Rs 8,000 (*B.P. Singh's estimates*). This left out of account the collective investment in infrastructural facilities, research and extension work.

The Government decided in 1981 to set up a national bank for agriculture and rural development, which would serve as an apex body for providing rural credit. The NABARD was set up in 1982.

Whereas the SFDA was meant to help only such farmers as, with its help, would cease to be "small", as at present conceived the *IRDP* is "at best a dole and at worst a debt trap" : the former, if the money to be handed out through it to the poor is eventually to be written off as a bad debt, and the latter, if it is to be recovered. The States seem reluctant to contribute a matching amount of

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subsidy. Like the banks (though they are alleged by the States to lack a positive approach to assist the poor because of their notoriety for insolvency), they look upon it as an unproductive item. The poor do not have a pressure lobby. Some States have represented the Centre that the scheme should not be confined only to those below the poverty line but should cover the poor in general. It is contended that a subsidy of Rs 1,000 per family, with another Rs 2,000 provided as a loan, is too small a capital base to generate sufficient permanent income for a family to repay its debt and, at the same time, to rise above the poverty line.

In its new form (set in 1981) the primary aim of the National Rural Employment Programme (NREP) is to generate additional employment opportunities for the rural unemployed or underemployed. As such, it is no longer a form of distress relief but a component of the IRDP under the Ministry of Rural Reconstruction. The States have been asked to prepare a "portfolio of projects" for each district and block as to disperse the benefits of the NREP as widely as possible. Such projects may be financed simultaneously by other departments of the States as well, the NREP providing merely the labour component, partly or wholly. The distinctive identity of the NREP is thus lost. It has become merely an agency to recruit labour as and when other wings of the State administration are ready with suitable projects. Even as an employment agency the NREP seems to have failed in its primary objective of eliminating middlemen and contractors, who have managed to swindle a sizable proportion of the resources in league with the politicians and bureaucrats. The latest advice from the Centre to involve the *Panchayati Raj* in the programme instead of the bureaucracy, it is feared, might result in adding one more middleman to claim a cut from the diminishing pay pocket of the rural unemployed. The kind of sniping which goes on between the State and the Central Governments (the West Bengal case is a prize example) leads partially to the abortiveness of the programme.[14] To optimise results all rural schemes have to be executed at even pressure treating them as cylinders.

According to the 1981 report of the Programme Evaluation Organization (of the Planning Commission), the contractors had indulged in selling part of the grain meant for the FWP[15] (of the Third Plan renamed NREP in the Sixth) in the open market in some States by paying wages in cash either in full or in part. Weak supervision leading to the creation of non-durable assets, inflation of the muster rolls, delays in the supply of grain and lack of storage facilities, misutilization or diversion of funds to other items of public expenditure were other snags in the smooth progress of the programme.[16]

The *agro-entrepreneurs scheme* started in 1971 flopped soon after in the absence of proper implementation, leaving thousands of entrepreneurs in the lurch. It had been envisaged to provide jobs to trained agronomists who, in turn, were to serve small farmers. The

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financing was to be done by the State Industries Corporations and the nationalised banks. However, when it came to the real financing of the scheme, after more than 5,000 agronomists had been trained all over the country, money was not available to properly run the agro-service centres, which had by the time been set up in the countryside. Most of the promised incentives remained on paper. Instead of 5 per cent interest, the banks demanded interest at the rate of 20 per cent.

Farm broadcasts were initiated from Allahabad as far back as 1953. The evenings of Akashvani (AIR) are usually devoted to farm broadcasts and programmes in various dialects for the rural interest groups. But the needs of farmers are not served quite well by these. Also, they are given a low priority. They take up a very small percentage of the total listening time. Small and marginal farmers and landless labourers are "unpersons" as far as radio and television are concerned, since farm broadcasts and programmes seem to be meant mostly for the affluent farmers, who can invest in modern agricultural technology. At least 10 per cent of India is beyond the reach of any information medium, including the radio. A sizable chunk of the most backward of our rural communities does not benefit from the farm broadcasts and programmes. It is high time that the common villager is told how he can get the Government subsidy or the inputs, what form has to be filled in, whose "no objection" certificate is necessary and under what scheme the grant is allocated. At present it is in the interests of the *sarpanch* or *mukhiya* and the village-level Government functionary that the villager is to be kept in the dark and ignorant about these things for fear that his awareness might bring about the demolition of these vested interests.

In even those regions (for example, Punjab) which have prospered from the Green Revolution and the new agrarian technology the small and the marginal farmers have to counter-balance their relative disadvantage in the use of costly inputs by achieving higher cropping intensity primarily through a more intensive employment of relatively abundant family labour input (as contrasted with the capital input by the large farmers), to combine non-farm work (such as dairying) with farm work to supplement their low farm income, and to purchase nearly a quarter of their total cereal requirements from the open market for want of self-sufficiency in them. In the economically worse off regions (like Bihar, Orissa, and Assam) the petty farmers have to work as agricultural labourers for wage or in exchange to meet their both ends.

The positive trends in the dynamics of rural transformation in India are extensive cultivation through use of the major irrigation schemes, intensive cultivation based on modern techniques, increase in output and systematic production patterns. The negative trends are pressures on small farmers to leave their lands to become landless labourers and tendency of mass poverty to continue and increase.[17]

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The slow and sluggish progress of the programme of *consolidation of holdings* is due to the lack of extension efforts. Misleading propaganda carried out by interested parties has engendered the impression that the programme works to the detriment of the small cultivator and that it benefits the big farmer through allotment of compact patches in areas with better land. This impression should be wiped out by a special effort to ensure allotment of compact patches of good land to the small cultivators. A mental depression has made small cultivators apathetic and callous to the few available incentives to change in many places.

According to a study made by Chandrasekaran, the accelerated growth of *irrigation* facilities in India (from 22.6 million hectares in 1950-51 to 56.6 million hectares in 1979-80)[18] has resulted from the high priority accorded under the Five-Year Plans to the allocation of resources for the development of irrigation and the adoption of the *cost-benefit ratio* criterion in place of the minimum direct financial return which was rigidly insisted upon before Independence. This criterion envisages that the annual net benefit attributable to irrigation should equal the annual cost of providing irrigation. In practice, the net benefit is much below the actual cost of providing irrigation because of underutilisation of the capacity built and hence the additional production being less than the level anticipated. This is so when the rate of interest adopted for calculation is the rate charged by the Government of India for loans given to the State Governments for the irrigation schemes, which is much lower than the market rate.

In areas of chronic and growing farm labour scarcity and at periods of peak pressure of farm work (e.g., planting and harvesting) *mechanisation* has helped to reduce costs per unit of wheat, rice, maize, etc., but has not helped to increase farm labour productivity in any marked form owing to the fact that there has been no increase in the scale of farming and hence in the scale of mechanisation. In those areas, farm mechanisation has progressed from the improvement of traditional equipment through the transfer of some designs from abroad to the local modifications of the foreign farm machines and their manufacture for better quality and prices, with the Government playing a vital role in different ways. In 1980-81 there were 2 lakh tractors and 14 Central and State mechanised farms in India.

The distribution of agricultural employment is skewed, as is the distribution of land in India. A pair of bullocks sets the lower limit to the size of holdings. The positive hostility of the landlords and their brothers-in-arms, the money-lenders and traders (the blood-suckers) to improvements which would raise the living standard of their tenants and workers and make them less abject, as also their proclivity to monopolise the agents of those improvements, keeps down the size of the agricultural surplus. The exploitation at the hands of these blood-suckers is preferred by the tenants and the workers because they furnish to them consumption loans and credit and deliver

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them from starvation and unemployment promptly. Rural unemployment is not wholly curable by increased effective demand, for it requires also some basic reorganisation of the conditions of production and distribution of the produce (on this see J. Robinson and J. Eatwell, *An Introduction to Modern Economics*).

The Government policy to record the names of the *bataidars* (share-croppers), known as *Operation Bataidars*, has led to a new dimension in the relationship between the state and the mass of *bataidars* (i.e., the focus on security of tenancy instead of abolition of tenancy). The old agrarian relations are showing signs of destabilisation. New adjustments are being tried on land, mostly under extraneous pressures. Feudal agrarian values are facing a new challenge. Political tension has been unleashed in many areas. The recording of *bataidars* alongwith the distribution of surplus land among the landless has stirred up the otherwise placid rural scene in these areas. The new recipients of land are rebelling against their erstwhile masters, who are taking it as an affront to their traditional rights and privileges.[19] Force on either side coupled with the support of the contending political parties in the village *panchayats* is aggravating the situation. In exceptional cases the matter goes to the court of law. The persons supported by the agents of the ruling political party have their hands above in the fight. The intensity of the fight is an increasing function of the size of the holdings. The share-croppers of the smaller plots do not like to fall out with their landowners; those of the larger ones take up cudgels against them. The landowners are forbidden to dispose of the plots already recorded in the names of their *bataidars*. The recording of the names not only provides them with security against eviction but also gives them hereditary right to till the land (supposed to bring about a bloodless revolution). In some areas the big landlords are getting their lands culitvated by permanently employed men. The euphoria created by this operation alternately rises and subsides. The inadequacy of the supply of institutional credit and inputs and hence the continued reliance of the share-croppers on the landowners for these and for the advance of grain during the lean seasons as well as for other small mercies is a retarding factor in the progress of this operation. The problem is more intricate in drought-prone areas. A new trail has been blazed, no doubt, for the present,

Mobile courts, if set up at the sub-divisional level and staffed by magistrates and senior police officers whose native places are different, can effectively and expeditiously enforce and settle disputes over land ceiling legislation, the Minimum Wages Act, the Protection of Civil Rights Act, the abolition of bonded labour, the Debt Relief Act, etc. (as suggested by experienced administrators like B. Roy). The establishment of such a machinery is imperative.

In certain States (e.g., West Bengal) the Left Front political parties have a base among the peasantry. They have made all

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possible efforts to intensify the class conflict among its various sections. At present we have one section of farmers pitted against another. Everywhere the mentality is to accept a change only if it hurts others but not us.

The *Kisan Movement* in Maharashtra in November 1981 was faulted on the ground that it was somewhat sectarian and sought to benefit mainly the richer farmers who grew the already high-priced cash crops, such as sugarcane, tobacco and onions.[20] They commanded the richer among the irrigated lands (barely 11 per cent of the total cultivated area) and were organised in powerful co-operatives which were often described as a "parallel government" in the State. The irrigation schemes (some founded by the foreign agencies like the World Bank and the foreign governments) whenever they had been executed successfully had raised the prices of land ten to twenty times by raising its productivity five to six times or even more.

On the whole, an emulation of the urban areas by the rural areas has been a factor contributing to their development during the years of planning. Those who earn their living from agriculture and activities allied to it have commanded better terms of trade in relation to those who have earned their livelihood from non-agriculture and activities allied to it.

The 1981 Census disclosed that the Indian working force was 38 per cent (39 per cent in rural and 31 per cent in urban India) of the total population—main workers constituting 34 per cent and marginal workers 4 per cent. The proportion of children under 15 to total population, which is a broad but certain indicator of a nation's reproductive prospects, varied from 35 (urban)—36 (rural) in Kerala to 40 (urban)—46 (rural) in Assam (1975 figures). The country was yet obviously nowhere near the *targeted birth-rate* of 25. The total number of children born to women during their entire reproductive period was still inordinately high for rural India, ranging from 7 in U.P. down to 4 per woman in Tamil Nadu, a far cry from 2 children only. In no State was the figure lower than 3 children per woman for the urban areas. In face of the continued demand for child labour in agriculture and industry, the message of the small family norm or the availability of family planning services made little sense. As we shall comment later, increased employment of child labour in place of adult labour in many cottage and small units, business and industrial, on far lower wages is one of the factors reducing the supply of domestic labour in towns and cities.

"High *infant mortality* like high inflation rates can encourage hoarding of children against uncontrollable depletion through death or other impairment" (A. Mitra). The parents' aspirations for a better life are not powerful enough. Far from steadily going down between 1970 and 1975 the crude death rate went up substantially in the rural areas of quite a few States. Infant mortality made "one wring one's hands in anguish and despair". It stayed high because out of every 100 births occurring in the rural areas in 1975 very few

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occurred in hospitals, health centres or dispensaries with qualified persons in attendance (often less than 10 in M.P. and U.P.). Of the ratio of births that were medically or professionally assisted at home to every 100 live births in the rural areas in 1975, the figure was 2 for M.P. and 7 for U.P. The poorer States were enough "to make the gods weep". This betrayed the hollowness of our maternal and child health programmes. Births at the hands of untrained functionaries at home were still very high (between 60 and 90 per cent of all live births in the less prosperous States).

Mitra shows how three factors, viz., (1) literacy and education, particularly female education (for it sows the seeds of aspiration and leads to marriage at a higher age and consequent fall in infant mortality), growing employment and earnings or disposable income for women, preferably in the form of wages and cash, and (3) a steady increase in the proportion of urban and non-urban population (for, apart from being "the pace-setters of change", the city and its non-agricultural occupations "unwind the spirals of wages and consumption") can replace surplus biological reproductivity with adequate economic activity. Family planning should rely increasingly on the package of incentives and disincentives[21] and involve the private employers more than before in the process.

The number of inter-caste, inter-community, inter-State and international *marriages* (love or arranged) is showing a rising trend in India but not all such marriages prove to be happy and successful. There were many broken, totally smashed, homes in the country. However, their unhappiness and unsuccess remain disguised and do not normally become a basis for their immediate dissolution on account of the inadequacy of the legal and social safeguards. Despite the tagging of the notion of sexual morality with the religious precepts, its level is not much different from elsewhere. The incidence of untruthfulness, fraud and deceit in the Indian marriages is not low either. In high families, the cream of our society, *the difference of backgrounds* often becomes a cause of their disintegration. Their privacy is gone. Their secrets become market gossip and the laughing-stock of the common folk. Progressiveness may sometimes cause life-long repentance and agony and total ruin of the home. In socially less important but progressive families the badge of their progressiveness (for instance, uniting in holy wed-lock of a person of a lower caste or community or of a poorer family or of a backward State with a person of a higher caste or community or of a richer family or of an advanced State) becomes a stick in the hands of the socially better-placed person to beat the socially worse-placed person with in season or out of season, when their personal relations reach the breaking point.[22] Unconventional marriages are more prone to cause disorganised families because they often are alienated from the grooms'/brides' families, and not hospitably, domiciled or naturalised in the brides'/grooms' families. This country was needed to be a model, a *guru* (teacher) for the West on account

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of the unique repute it enjoyed for its ideally stable and harmonious and sexually unblemished families of happily married couples but considering the changes that have occurred in this area, it is doubtful if this country has anything to give now to the world in this respect and to boast of that legitimately. Westernization (imitation of the snobberies but not emulation of the good points) has taken a heavy toll of the moral character of men and women (in numerous instances women have outdone men in this regard). It has picked up all that is profane and degrading. The much-maligned maltreatment of wives by husbands still persists but the struggle of women for equality with men has brought in its train the maltreatment of many husbands by wives too. The Indian women have been marching ahead shoulder-to-shoulder with their Western sisters in renouncing affability, docility, forbearness and tolerance, extraordinary self-effacement for the sake of matrimonial happiness and amity—those sterling qualities for which they have been a world-symbol and there are straws in the wind that blows, enough for us not to look with equanimity to the future either of traditional womanhood or Indian family, such has been the increase in their belligerence and bellicosity.

According to the information compiled and exhibited by the Mahila Dakshata Samiti in New Delhi (reported in the *Statesman*, Delhi, October 6, 1981), the dowry-wise market values of different grades of the educated and the employed in 1981 were as follows :

A. *Education*	*Dowry (In Rs)*
Matriculates (failed)	10,000
Graduates	50,000
Graduates (failed)	25,000
Post-graduates	1,50,000
Post-graduates (failed)	1,00,000
B. *Employment*	
Peon (in private sector)	40,000
Peon (in public sector)	55,000
Doctors	3,00,000
Engineers	3,50,000
Engineers (under training)	2,00,000
I.A.S. & I.P.S.	4,00,000

Contrary to popular belief, the educated youth were more prone to demanding a *dowry*. There were sharp regional variations in these market values.[25] It was not only the level of education or the type of employment which determined the magnitude of the dowry, but also the family backgrounds of the bridegrooms. The property (land, house, etc.) possessed by their families, their relationship with the ministers, members of Parliament and State legislatures, government

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officials, etc., also counted a great deal. The level of education of the brides too was a determinant of paramount importance. The parents of a graduate bride with a consistently good academic career and good looks and a good figure, already employed or likely to get employed easily after marriage, were generally required to offer less dowries. Such was the allurement of the employed-hood of the grooms that the brides in many cases had more formal education and were more educated. Marriage between already employed persons intensified the trend towards concentration of income. A dowry was demanded for meeting the expenses on the higher studies of the boys, and the marriages of their sisters, for purchasing income-yielding assets or for constructing houses, etc. The economic strains and stresses were increasing pressures for dowries, resulting in several brutal, barbarous and heinous murders and homicides and suicides.[24]

The number of *divorces* and broken homes was on the increase because of extra-marital sex relations, infidelity, discord and incompatibility. The average educated Indian wife had become more assertive regarding her rights and was less subservient to her family obligations. Her elevated status was not an unalloyed blessing. The world-renowned harmony and stability of the Indian marriage was in a shambles; it had foundered on the rocks of mistaken vanity and goading temptations. Sample surveys uncovered the fact that the incidence of conjugal unhappiness was higher in cases where wives were the first or only children of their parents (and hence spoilt) and/or had antecedents of being quarrelsome while in employment preceding their marriage. Although they came of average backgrounds, they over-assessed themselves and were over-ambitious. By temperament they were nagging and domineering, tongue-lashing and fiery, and magnified the ordeal of their family life.

The general health and physical build-up of the people have improved since Independence, despite difficulty in securing pure milk, pure *ghee* and pure edible oils and in spite of their being compelled to take quite a few adulterated food articles, owing to the increased consumption of wheat (in the principally rice-eating areas), more beverages (which make them drink plenty of hot water) and nutritive food items like bread and butter, milk and curd, fresh and dry fruits, eggs, meat and fish (although we know how the boost in their consumption during the 1950's and 1960's suffered a setback during the 1970's, consequent upon their becoming increasingly dearer, since their prices were not controlled), besides the use of new and more efficacious medicines to fight the old *diseases* (though new diseases and new sources of morbidity, more typical of advanced civilization have been taking their place rapidly). The incidence of venereal and skin diseases and leprosy among the youth is now higher than before. The areas in which power, oil, industrial, atomic and nuclear plants are located have a higher incidence of certain diseases.

As no toilet facility is available in the houses of most families in the villages and in some localities in the towns and cities, men and women in the former use the backyards, road-sides and fields, and

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those in the latter use mostly the road-sides and the river-sides for the purpose, adding to insanitation and pollution. Provision of toilets will mitigate this problem. The idea of *Sulabh Shauchalaya* sponsored by Mahatma Gandhi should be acted upon.

The resurgence of malaria appears to be an unwholesome side-effect of the Green Revolution, which led to an excessive use of the pesticides under intensive farming practices. The anopheles, carriers of malarial parasites, have become gradually resistant to the pesticides. They have caused virulent types of fever, etc.

Pesticide contamination of food is growing. An Indian may be taking 0.2664 mg. of DDT with every meal. An analysis of food-stuffs sold in different parts of the country has shown pesticide contamination of almost everything that is consumed. In 90 per cent of the milk and butter samples the amount of DDT exceeded the tolerance limits set by the WHO. This can be the cause of a formidable range of ailments, from allergies to heart diseases or even insanity.

It is high time that we studied the impact, favourable and unfavourable, of the modern instruments of entertainment in our homes and clubs, of the loudspeakers fixed up at shops, etc., blaring songs interminably, on our health and morals, creativity and concentration, cogitation and meditation, some of which are tending to become insufferable meances in our daily existence.

In 1981 there were nearly 1,25,000 graduate doctors in India, which worked out to one doctor per 4,400 persons. But 80 per cent of them had chosen to work in the cities. The actual ratio was 1 : 1100 in the cities and 1 : 17,600 in the villages. In the country's total rural area 3,762 million man-days were estimated to be lost every year due to illness. Since a person's illness also affected the work of his relatives, the actual figure must have been much higher than this. Of what value the services of the rural doctors could be in such wise might be gauged from this alone.

In 1981, 26 major banks decided to advance loans upto Rs. 1 lakh to doctors wanting to set up their practice in the rural or semi-urban areas. This was a praiseworthy decision, which might act as a stimulus to the idea of the "bare-foot" doctors.

Cases of glaring negligence on the part of the medical staff in public hospitals in India, for example, patients contracting serum hepatitis and tetanus, their general callousness, etc., are frequently reported. Chances of infection are not any the less in the private clinics run by doctors. In certain States the number of quacks was reported to be on the increase.

In India malnutrition cripples 6 out of every 10 children. To combat it, a child nutrition programme has been in operation for quite some years. But such were the logistics of the operation of the child nutrition programme that cases of distribution of bread,

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milk, biscuits and other eatables unfit for human consumption were reported. But corruption was a greater menace : only 4 out of 10 children supposedly covered by this programme actually benefited from the allocation, rest going to the intermediaries. In the background of this dismal record, Tamil Nadu's ambitious child-feeding programme (for 63 lakh children) launched in 1982 has to be on its guard from the very beginning so as not to be hamstrung by adverse factors.

The domestic requirement of water is barely one-sixth of the total water used by industry and power plants.[25] In the most prosperous State of the country, i.e., Punjab, in 1981 out of 12,188 villages 3,712 villages with a population of over 4 million were identified as problem villages where *drinking water* was not available within a radius of 1.6 km. or where the locally available water carried endemic diseases or contained chemicals like salanity and fluoride, harmful to health. 70 per cent of our river water is unfit for drinking. The cows grazing by a rivulet skirting Bombay's industrial suburbs have five parts per million of mercury in their milk, the consumption of which over a period of time would lead to slow poisoning. All riverine life upto 5 kms downstream from Kanpur has been destroyed by industrial effluents in the water. The annual catch from the Hooghly estuary has decreased by 70 to 80 per cent. Apart from industrial wastes, 48 Class I and 66 Class II cities discharge raw sewage into the country's waterways. The pollution level of the major rivers in several States has reached an alarming proportion.

The Control of Water Pollution Act was passed in 1974. The Central Board for Prevention and Control of Water Pollution initiated a survey in 1977 of all river basins. But little has resulted from these "except a plethora of laws and regulations more common in their breach than in their observance". Rs. 5,000 crores are required to rid our rivers and control areas of *pollution.* The Central Water Board has set the pollution admission limits at levels much higher than that recommended by the WHO; in some cases by more than 200 per cent on the plea of "not jeopardising India's rapid and planned growth of industrialisation". The Board had registered cases against only about a hundred offenders till 1981, of which only four were penalised.

The Board has warned that the future of the Ganga would be staked seriously, if suitable pollution control policies were not speedily evolved and implemented. The mere size and the consequent self-purification and pollution-assimilation capacities available in the Ganga have so far helped it to maintain a relatively clear look and satisfactory water quality along most of its length. But the natural defences have now started breaking down and urgent steps to halt the degradation are called for.

The Air Pollution Act was introduced in 1981.

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Elimination of ignorance is as much necessary as that of poverty

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for the success of democracy in this country. But our politicians have purposely wanted the masses to remain steeped in ignorance, for their enlightenment would herald the end of their exploitation in many ways. Per capita expenditure on *education* in 1978 for the rural areas amounted to Rs 3 and for the urban to Rs 16.32. Under the Sixth Plan education has been given only 2.6 per cent of the total budget. Were the entire expenditure by both public and private sectors to be taken into account, the share of education would come to 1.6 per cent only. These statistics lay bare the degree of neglect of education in this country.[26] It is essential that the outlay on bogus research and all that is slashed and that on primary and secondary education is stepped up. At present the children of the disadvantaged social groups are on the periphery of the schooling system. The non-relatedness of the curricular programmes to the needs of life contributes to their slow progress.

The peasantry class has been investing gradually more in the higher education of its younger members so that they find non-agricultural employment. As against 19 universities and 400 colleges with a total enrolment of 2,50,000 students in 1947, India had in 1981, 111 universities, 12 institutions deemed to be universities, over 5,000 colleges and many professional and technical institutes, providing training and research facilities to 28 lakhs of under-graduate and post-graduate students. At the same time, the number of non-viable colleges went up from 1,390 in 1973-74 to 1,433 in 1977-78. Evidently, it had become a matter of prestige for both the State Governments and local politicians to set up new educational institutions (including universities) even when there were neither enough students nor enough funds for them. The UGC had not the statutory power to prevent this. Several State universities were not even in a position to pay the salaries of their staff on time and their vice-chancellors had to wait outside the office-rooms of the Education and the Finance Commissioners with begging bowls in their hands, while their teachers and non-teachers organised protests against their vice-chancellors.[27] But they did not lack funds for the countless domestic and foreign flights of their vice-chancellors.

Politicians from top to bottom and irrespective of their ideology seem determined to destroy university education in their ruthless and unethical pursuit of winning the favour of all sections of the university community. A destruction of academic standards has become a consuming passion also with all inmates of the university.[28] Politicians interfere in the affairs of universities largely because those who seek to climb to the top of the ladder are only too willing to exchange their academic autonomy for the fulfilment of their own ambitions. In their greed for power and position they kowtow to the politicians. The close liaison between the two groups is a principal cause of the existing malaise. Whether or not our universities would become agents of social change; they have undoubtedly become seed-beds of such agents. They are not beds or dens of corruption, casteism and favouritism, indiscipline, insubordination and inefficiency so much so

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that if any vice-chancellor attempts to weed out these evils, he himself will be weeded out of the university.

Neither the students nor the teachers nor yet the non-teaching employees of the universities are a fraternity—there is ill-will and militancy among them. They are mutually alienated groups of people, academically. Teachers now do not command the same respect with their students as they did in the olden days.[29] The old affinity between them is lost for ever. Many extraneous considerations on both sides have led to their devaluation. The good teachers feel very miserable, neglected and even persecuted in the prevailing atmosphere vitiated by business-like and trade-union-like attitudes and 'animal spirits'.[30] Each issue is treated at such an emotional level by each section of the university community that the entire community is carried away by it. Willy-nilly, all teachers/students/non-teachers have to join the strikes organised by a handful of over-bearing operators. Snap and prolonged closures of institutions are the only means left with the authorities to defuse tensions on the campus. In a broad sweep of observation, on an average, a modern teacher or non-teacher is for three-fourths of his time in society organising its activities wearing a political complexion and rich in pay-offs and for only one-fourth of his time in his own institution mentally or physically or both.

Students' sole aim is to have results disproportionately better and more than the amount of labour and study put in and scholarship acquired by means fair or foul. Mass copying and resort to unfair means[31] (that is, cheating) during the examinations have become a way of life in most universities. Students sit in examination halls with heaps of chits and with loaded pistols and shining daggers placed on their writing desks to intimidate the invigilators. Some invigilators, who had tried to stop these malpractices, paid for it with their lives. In recent years there have been cases of large-scale manipulation of marks-sheets and forging of certificates by persons wielding political clout for purposes of admission and appointment. The "unhealthy scramble for high marks to better the prospects of admission to prestigious professional courses without paying the price for it in diligent work" is leading to much corruption in our academic system. The decisions of the public institutions limiting their all-India competitive tests for filling up vacancies in them to such degree-holders as have a certain minimum percentage of marks have prompted many universities to award marks to their examinees most leniently.

One factor responsible for the sprouting of private institutions in some States has been the enormous gap between the demand for technical (medical, engineering, business management, etc.) education and the capacity of the existing public institutions. These private institutions charge large amounts as capitation fees for admission to the wards of those who can, in fact, afford them, in most cases out of the black money they have amassed. The mushroom growth of such private technical and coaching institutions is a manifestation of the

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deteriorating teaching conditions in the Government-owned, Government-aided and Government-controlled (though called autonomous by apology) institutions. These literally impart "liberal" education to the students on their rolls.[32]

The call for excellence by the U.G.C. in our universities which are the bastion of higher education has meant sacrifice of teaching and concentration on research (i.e., eclipse of good teaching by bad research) by our teachers and has been responded to with mass-scale production of worthless Ph.D.'s and D. Litt.'s (giving the impression of the widow's cruse in any university) under exceedingly pliable guides (some of whom never did any research themselves), whose manipulative skill has helped them to obtain the degrees with the minimum of effort and perseverance and in many cases in a highly suspect manner (e.g., degrees were awarded before theses were deposited, and theses not fulfiling the conditions prescribed by the Regulations were accepted and awarded degrees). Excellence has also meant a phenomenal rise in quantity. The wastage of resources and misuse of funds in several cases have been another consequence.[24] It has further meant lowering of the standards of examination and letting the examinees pass in the first class or division in bumper numbers, where the number before was not even a dozen or a score. The frequency distributions of the classified data on admissions, top positions in examinations, registrations and awards of the research degrees and appointments in most universities show high positive correlations between these and the castes of the beneficiaries and the benefactors concerned as well as marked polarisations along the dominant castes in the regions concerned. It appeared as if these people had drunk casteism alongwith the milk of their mothers!

Centres of learning today do not evince the old readiness to draw men from other parts of the country. Few universities are today cosmopolitan in their composition, much less universes. In most of them we have an over-dose, almost a fetish, of in-breeding. Competent scientists, including social scientists, are snapped up by banks and private companies on high salaries and there is an acute paucity of them in the educational institutions. The few that are still there are not taken notice of by the Government, because those, who are less or more competent in the Government or its affiliates, have to be constantly patronized. The majority of the Government-aided institutes have become virtually one-man, private shows.

Acquisition of knowledge or skills through vocational training may not serve any significant purpose unless it yields an economic advantage, which presumes an economic and social demand for what is learnt.

All possible endeavour should be made, firstly, to usher in conditions of work and employment for teachers—sufficiently comparable with those prevailing in other occupations (e.g., banks, industrial undertakings, Government services, etc.) so that their motivation and dedication to work are maintained, and secondly, to obviate the

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disparities in such conditions between the Central and the State educational institutions.[34] The present non-chalant attitude is breeding learning which is fake and of dubious value.

During 1971-81, the largest addition to *urban population*, nearly 70 per cent of 50 million, was in Class I cities with population above 1,00,000. The rate of growth in some cities was as follows.

	Per cent
Bangalore	76
Jaipur	60
Pune	50
Ahmedabad	45
Delhi	44
Hyderabad	43
Bombay	38
Madras	34
Calcutta	30

Thus, Bangalore was the fastest growing city in India. It had overtaken Calcutta, Bombay, Delhi and Madras in this respect. The trek, the tidal wave of migration of the rural population to the cities continued mostly in quest of jobs. One formal job in the large cities created three informal jobs. The elite wanted to reside in big cities.

On account of the negative externalities, i.e., the disamenities or debits, the social costs of maintaining the cities are appalling. The per capita cost of public services in a big city is 8 times that in a small city. At least half the people living in the twelve metropolitan cities of India (with a total population of 42 million in 1981) have no access to even public lavatories. About 60 per cent are not served by sewers. Only 185 of the 3,000 towns have underground sewerage of sorts. In large localities piped drinking water is a rarity. If at all, there is a tap for 200 or more families. The average space occupied by a slum family of 4.33 persons is 133 sq. ft. in Bombay. At places one finds 12 persons living in 180 sq. ft. tenements or huts made of untreated waste wood planks, G.I. sheets, gunny cloth, polythene and bamboo mats, and huddled together. Patients lie three to a bed in overcrowded hospitals and still a large number are turned away. Schools function in shacks or crammed and dilapidated buildings in stinking lanes with no open space for children to stretch their legs.

On a clear day in Calcutta 900 tonnes of pollutants (a social or public bad) are emitted into the atmosphere. When bracketed with neighbouring Howrah, the figure goes up to 1,300 tonnes. Owing to the location of thermal power plants in the territory, the sulphur dioxide concentration in the atmosphere in Delhi is so much that the incidence of chronic bronchitis in the city is 6 to 14 times higher than elsewhere.[35]

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Millions of roofless and shelterless people camp in the open or live in over-congested slums in towns and cities. Large numbers of middle-class people are rapidly joining the ranks of the slum dwellers even though they may be willing to pay up to one-third of their earnings for a proper living unit of one or two rooms. If they are unable to do so, it is not because of reluctance of private entrepreneurs to invest in housing but because the Government policies and programmes discourage such investment. Perhaps the greatest single disincentive is the Government policy of "land freeze", which is sought to be justified on the pretext of "land-use" planning. This pushes up the prices of land in central localities to forbidding figures and drives the poor and the middle class people away to outlying areas far away from their place of work. Vested interests of politicians, bureaucrats and black-money operators thwart all moves to bring prices down to reasonable limits. The next hurdle is the acute scarcity and resulting high prices of building materials, such as cement, steel and even brick and timber.

The remedy lies, firstly, in the Government specifying a land-use programme covering large areas around the major cities and then unfreezing the land so that private persons are free to build on it according to that programme. That is, it should not exercise its right of eminent domain *ad infinitum*. This would bring prices down to reasonable levels and further stimulate investment in housing. Secondly, development and use of cheaper building materials need to be given high priority. Thirdly, there should be increased involvement of co-operatives in this activity.

From 30 per cent in the First Plan the share of housing in the total Plan investment, private and public, has shrunk to 8 per cent in the Sixth Plan. Building cost has sky-rocketed. In Bombay in 1981 a bag of cement cost Rs 75 and the price of 1000 bricks was Rs 400. Land development costs had shot up to Rs 400 per sq. yard from about Rs 10 per sq. yard in 1956. Even a one-room tenement of 180 sq. ft. cost Rs 20,000. A house of one's own in a city had become a luxury which few could afford.

As the cities expand, the distance between work and home elongates. The average for Bombay in 1981 was 17 Km. and for Delhi around 11 Km. But lakhs (comprising the floating population) commuted anything between 50 and 120 Km. spending 4 to 5 hours a day in buses and trains in gruelling conditions. In most cities the capacity of the local buses and trains has barely increased by 33 per cent of the additional demand. Transport is a nightmare. The buses belch poisonous carbon monoxide into an atmosphere polluted enough by other agents. The suspended particulate concentrations are very high. Dumped garbage and perched hawkers elbow the pedestrians off the pavement. Crime is a growing problem.

While locating industries, no attempt has been made to provide houses or transport to those who worked in them, thereby

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disrupting the intrinsic relationship between residence and work. This has led to considerable social tensions as people are forced to live in places which lack a healthy environment and do not correspond to their social-cultural needs.

In the big, exploding, sprawling cities commercial establishments would be happy to shift parts of their operations to satellite or ring towns to avoid frightening overheads, if the time-distance factor could be eliminated through rapid transit and instant telephone systems. It is far easier to dial Bombay or Calcutta from Delhi than to dial satellite towns of Ghaziabad and Faridabad less than 20 miles away.

The tensions between the rich and the poor in our big cities are rapidly mounting. "Class segregation" is on the increase. The poor are no longer wanted in the heart of the big cities and in exclusive "posh" colonies, except for work. They are being progressively thrown out to build shanty colonies for themselves on the fringes of the cities. "For the upper classes the metropolis is where the money is, and they know how to find it and grow richer." This leads to high living and a high cost economy in which the fixed income groups find it difficult to survive. The cities need the poor as "automatons" to keep the show going but are becoming increasingly intolerant of their existence as human beings.

About 8,000 acres of Bombay's land is slum where 3.5 million people live in densities of 400 persons per acre (nearly 2,00,000 per sq. mile). Much greater congestion is to be found in the 30,000 dilapidated buildings in the city, housing nearly 2 million people, and expected to collapse within the next 4 to 15 years. At places, ground space available per person, including lanes and open spaces, works out to about 22 sq. ft. The lanes in the slums are less than 2 ft. wide. The middle classes have been forced into the slums and the poor on to the pavements. 60 per cent of the slum families earn between Rs 400 and Rs 800 per month and about 5 to 10 per cent have still higher incomes and can afford to live in proper houses, if these are made available to them on rent upto a third of their earnings. Nearly 30 to 35 per cent of them are really poor.

Maharashtra, India's fastest urbanizing State at present, has a very high percentage of its people below the poverty line. By nutritional standards, 76 per cent of the rural and 62 per cent of the urban population of the State fall in this category. So far as Delhi is concerned, the ever-growing influx of people has been turning that "garden city" into "a concrete jungle and a mixture of unauthorized colonies and slums", straining heavily transport and civic amenities. This problem is to be met by decentralising the economic activities in Delhi to 18 ring towns in U.P., Haryana and Rajasthan. 'Urban giantism' in the large metropolitan cities is turning them into 'urban disaster areas'.

Urban development[36] has grown into what is by far the country's largest money-making industry yielding huge direct and clandestine

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profits to those involved in it". It has encouraged the circulation of huge amounts of black money.[37] It operates right from the purchase of plots to the sale of flats. Although the construction companies give much more than the Government approved rates for the land, the actual price is never shown in the sale deed. Construction accounts are rigged. Under-the-table payments are demanded for the allotment of plots of land and flats. While a genuine house-builder runs from pillar to post for cement, steel and other building materials, the mushrooming construction companies experience no difficulty in cornering all the scarce materials they need.

The racket also surfaces through "land and flats scandals" that come to light every now and then. The modus operandi is simple : A total land freeze coupled with excessive stimulation of industrial and business activity and the Government acquiring a monopoly of almost all house-building. Commercial complexes and industries are being induced to come up on a big scale and people are being deterred from buying land and building new houses. The result is sharp escalation of rents and property values. This funnels huge funds into the parallel economy. Excessive venturesomeness in the house building trade exuded by the black money owners is partly because of tax loop-holes. In Delhi in 1949 land for residential building sold at the rate of Rs 3 to 4 per sq. yard but at the rate of Rs 4500 per sq. yard in 1981. It is in this context that we are reminded of what Marshall said in his *Principles*, "Many of the largest fortunes are made by speculation rather than by truly constructive work; and much of this speculation is associated with anti-social strategy and even with evil manipulation of the sources from which ordinary investors derive their guidance". Marshall prescribed "a wider understanding of the social possibilities of economic chivalry" as a cure of this. We would suggest that in addition to foiling speculative deals by stern measures, the public authority should promote large-scale house-building in both private and public sectors by benevolent methods, with an eye to the special needs of the old, the retired and the destitute as well as acquire *excess* private houses for allotment to the needy.

Some broad features of the *employment situation* in India may be stated. Owing to persisting inflation more and more resources have to be diverted from other heads of public expenditure to the maintenance of the same volume of employment by paying increased dearness allowance, revised pay-scales, etc. There is, therefore, a drain of resources, which would have brought some employment to the unemployed,[38] towards those already in employment.

At the end of 1981, the number of employees of the State and Central Governments was between 19 and 20 million and the total industrial labour force was 6 million. During 1976-81 whilst the public sector created additional employment for a little over 2 million persons, the private sector did so for about 0.5 million persons. Women competed increasingly with men for practically all channels of employment, although many of them had harrowing experiences, as shown by recent studies.

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One form of concentration of the avenues of employment is the running of private businesses and doing part-time jobs in private concerns by a number of employees of the Government and autonomous and semi-autonomous public bodies in contravention of the terms and conditions of their employment and at the expense of their normal duties.[39]

The real inequality between the employed and the unemployed is growing. The unemployed are, as it were, the internal colony for the employed, who are receiving more at the cost of the former. The problem of educated unemployment is assuming such a form and magnitude that before long we might be compelled to ration employment among the educated people.[40] In the alternative, if both wife and husband are employed, then whoever of the two is employed later might have to be subjected to a duty, whereby a modest unemployment insurance scheme could be financed.

By comparison with the factory workers, the unemployed, the under-employed and the unemployable caught up in a 'trap' at the bottom of our society compose the under-class. "This class can rebel but it cannot lead a successful revolution. In the factory, the worker can put great pressure on the proprietor by withdrawing his labour, whereas this under-class has little to withdraw economically, although it can withdraw its votes politically. Its fragmented character greatly dilutes its effectiveness" (Kerr).

A section of public opinion is being created in favour of the deployment by the Government of the reserve army of the unemployed in all types of work when there is illegal stoppage of work by the permanent staff for long.[41]

The increased emphasis on promoting avenues of self-employment[42] in the economy in lieu of providing more wage-employment in the public sector is intended to camouflage the weaknesses and lapses of our planning so far and to bank more on planning by inducement than on planning by direction, out of the fear that the public sector investment—which influences the private sector investment—might have to fluctuate more frequently and violently in the years to come and in order that the public authority has not to shoulder the additional responsibility of maintaining the unemployed. In consequence, it is inclined to welcome more and yet more people who can run their own ventures with its promised support.[43]

Whilst in certain uses and places the Government's step towards further decentralization might provide scope for the growth of entrepreneurship, in other uses and places it might complicate problems mainly because of the lack of experience and expertise among people who have been suddenly entrusted with the task of taking major decisions. Besides, it amounts to de-socialisation and soaking the relatively poor for the relatively rich. It is debasement of socialism.

Part of the brain drain (also known as the reverse transfer of

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technology) of the more qualified persons from this country is due to the fear that if they stayed behind, they would get frozen in inferior and poorly paid posts. 75 per cent of the graduates in electronic engineering and 62 per cent of them in chemical engineering go abroad. But to the extent that the migration occurred, it would ease the task of the Government to provide them with suitable jobs, though the cost of their education in their home country could not be recuperated. This is part of the consideration that has actuated the Government to propose the establishment of a *brain bank* to reverse the flow of talents and to prevent further departures, though the effort to provide jobs to the unemployed technical graduates at home should not slacken.

In 1961 the over-all work participation rate of women as a percentage of all women in the country was 31 in the rural and 11 in the urban areas. In 1981 these rates stood at 24 and 11 respectively.

One striking feature of the labour market in most urban areas is the over-supply of persons willing to work as peons and orderlies and the under-supply of persons willing to work as domestic servants and menials.[44] Those who are willing to work as domestic servants, full-time or part-time, charge very high wages. Maid-servants, who were previously used to working in one or two houses, now work in four to six houses and do not give much of their time in any one house. The total earnings of the domestic servants in cash and in kind have shot up considerably. In the case of the supply of domestic labour, we have to calculate in terms of the income of the individual households, rather than in those of that of the individual workers. When this is done, this supply curve is backward-bending even at a low level of earning because more of such work is deprecated by the individual workers. The middle-class families short of other sources of income can ill-afford to engage domestic servants. The piracy of domestic servants by neighbours is a new form of the "beggar-my-neighbour" policy. Engineers, heads of institutions and departments, chiefs, directors and chairmen of boards, commissions, and institutes, who have the authority to appoint or approve of the appointments of class four employees, have retinues of domestic servants to serve them and their families round-the-clock, their salaries and allowances being paid mostly out of the budgets of their establishments.

In certain occupations or professions which previously employed such persons as composed "the non-competing groups", the position today is that their younger members are averse to pursuing their hereditary occupations or professions, whilst those who pursue them constitute families each having 2 to 5 working hands (for example, sweepers, scavangers, maid-servants, gardeners, part-time domestic helps, etc.) so that their collective earning equals or even exceeds the salary received by a Class II public official. Each such working hand puts in now lesser hours of work than before and the supply curve of his effort *vis-a-vis* income is backward-bending. His

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children get employment in small establishments which find child labour much cheaper. These persons enjoy more leisure now. The former drudgery has fallen to the lot of the official's wife. The terms which they dictate to their eager employers, the tone in which they speak with the latter and the meekness with which the latter have to negotiate with them go to show how they have got the upper hand in the bargaining process.[45] Another notable feature is their intra-caste or intra-class spite or hatred of menial work—they would prefer such work under those of the higher or forward castes or classes and would be indifferent to the offers from those of the lower or backward castes or classes to which they themselves belong, other things being equal.

The affirmative part of the Government action has consisted in reserving certain quotas for the weaker sections of society—reservation of seats in educational institutions and of jobs in Government offices and Government-supported institutions.[46] But this has aroused a national grouse, a backlash of resistance against what is labelled as 'the ghetto mentality', which is more acute in the present days of economic crisis. The affirmative action has been alternatively described as "affirmative or reverse discrimination". This is opposed on grounds of efficiency, efficacy, etc. There is a general feeling among the public servants that "reserved quotas at the higher levels have not only placed inexperienced personnel on operational duties but also have demoralized the other staff who were superseded". This is countered by several persons (Malkani, for example), who assert that the general level of administrative efficiency in the country is so low that a sprinkling of scheduled caste and scheduled tribe men—"assuming but not conceding that they are less efficient than the rest"—will not make any significant difference to the given situation.

The antagonists of the reservation policy, who feel rattled by it, also point out that it creates a vested interest in backwardness, that conditions and opportunities are not equal within a community defined as backward, that political and economic inequalities cut across caste divisions, and so forth. There are forwards among backwards and backwards among forwards.

22.5 per cent of all vacancies (of jobs) are statutorily reserved for the scheduled castes and the scheduled tribes in all Government (Central and State) offices as well as in those of their affiliates. But many vacancies remain unfilled, particularly in the upper classes of services. A glut in the employment market for these weaker sections persists. In 1981 the scheduled castes held only 2.36 per cent of Class I and 4.23 per cent of Class II jobs in the Central Services. The position of the scheduled tribes was worse. They held only 0.54 and 0.97 per cent of these jobs respectively.

The Government ought to ponder and probe the reasons for this. Is there an overdose of reservation ? Do the potential candidates lack information ? Are the stipends and fellowships to the students coming

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from these castes properly utilized by them ? Are there remedial courses for the slow coaches among them ? Are those placed in charge of these courses really interested in their success or are they prejudiced ? Are the qualification sights higher ? Is it that the candidates are not being properly prepared for the competitive tests ? And so on.

Moreover, it is necessary to enable the really poor and backward scheduled caste and scheduled tribe families to benefit from the reservation facility and to come up in the economic and social ladder. This is what Myrdal has to say on this, "The subsidy schemes for the backward classes and the preferences given them in educational institutions and in the civil service benefit only a few; sometimes they even serve to emphasize and perpetuate the condition they are designed to cure". That is to say, the new orthodoxies can be at least as tyrannous as the old. While this is all right, the fact remains that the reservation policy and the differential financial support policy towards the weaker sections of our society are, in the main, "a sequel to the political movement for social equality and the price the privileged sections have now to pay for the disadvantage, the suppression or the repression they inflicted on those sections for ages and the social sentence they made them serve so long."

Lastly, we should profit from the advice given by Marshall in his *Principles* that "there are indeed but few movements which are without reproach : some destructive influence lurks in nearly every great and good effort. But the evil should be stripped of all gloss, and carefully examined so that it may be kept down".

Again, "from the merely material point of view, changes which add only a little to the immediate efficiency of production, may be worth having if they make mankind ready and fit for an organization, which will be more effective in the production of wealth and more equal in its distribution".

In some of the Adivasi-dominated districts (for instance, Dhule in Maharashtra) schemes like the Employment Guarantee Scheme under which work was provided to all able-bodied persons in the rural areas was reported to be saddled with corruption and a sizable chunk of the annual expenditure was found to have been misappropriated by those in charge of the projects.[47] The police in several places had joined hands with the bureaucracy in either exploiting or intimidating the poor Adivasi landless labourers and small farmers not to give evidence against the accused officials. The executive engineers and junior engineers in charge of the projects prepared bogus muster-rolls and made a list of payments for works which were never executed. The Collectors who compiled lists of cases involving corruption for perusal by the police were transferred and the corrupt officials shielded by the politicians.

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Hard work, abstinence and invention, as Keynes (*The Means to*

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Prosperity) said, are the means to prosperity. Also, Enterprise is more important than Thrift : "If Enterprise is afoot, wealth accumulates whatever may be happening to Thrift, and if Enterprise is asleep, wealth decays whatever Thrift may be doing". A community's *attitude to work* can be a more decisive determinant for stepping up productivity than material resources, including technology. Malthus spoke of man's preference for idleness over productive capacity and of "the influence of...indolence or love of ease". To quote J.S. Mill, "Successful production, like most other kinds of success, depends more on the qualities of the human agents, than on the circumstances in which they work : and it is difficulties, not facilities, that nourish bodily and material energy", Efficiency of labour is connected with its whole character. A nation advances rapidly when its people "have no life but in their work; that alone stands between them and ennui" (*Principles*). But when the Peter Principle gains in supremacy, it is idle to talk of efficiency, as is the case in India to-day.

In India it is seldom realized that a unit of time lost is lost for good, that wasting or whiling away time is bad, that economising on time is good, that time is money, that it is wealth, and that it is an invaluable agent of production. People in every walk of life have become more demanding about their jobs, are keener on security and promotion prospects without, however, caring for initiative, respect for others, and an urge for achievement and responsibility. Especially the public employees are notorious for their habitual lethargy, inefficiency, discourtesy and venality. They give evidence of callous indifference but not of honest effort. Most of them take no pride at all in their work. The heads of offices have to face their loud voice, short temper and surly manner. It has become customary for work people to speak to their authorities in the language of confrontation and the ultimatum of resort to direct action.[48] But even among their authorities are such persons as owe their high posts, not to their intrinsic merit but to the political support of their well-wishers and do not know what courtesy, civility, polish, personal dignity and grace are, coming as they do from a semi-uncultured stratum of our society. Seldom are found among the service class "self-control and moderation of manners overlying resolute purpose" which Marshall considered essential. One type of the employees at the upper level of the hierarchy comprises such officers as never say 'no' when approached and are always sweet-tongued but they never do the work, except of the people belonging to their castes or cliques. The senior officials spend most of their office time in attending a plethora of meetings. This delays the disposal of files. There is a great deal of wastage of energy on trifles. The prevailing situation correctly amplifies Baran's estimate: "The only stimulus to hard work. . . is the chance of partaking in the privileges of the ruling class", and as such a policy aiming at the reduction of inequality of social status and income is bound to smother effort. Besides, the injection of planning in a society living in the twilight between feudalism and capitalism

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cannot but result in "additional consumption, larger and more artful evasion of the law, and more brazen abuses of authority". One loses time in pratically every business of life—at the railway station or bus stop, at the ration shop or post office, at a bank or the Government secretariat, at a college or university office, etc. The value of time is not realised. On a very conservative estimate, any piece of work in the public offices now takes three to five times longer to get done, compared to what it took before Independence. The dealing assistant or clerk comes late habitually (putting the blame at the door of transport difficulty) or is not at his seat; and when he is there, he is taking things easy. He is supposed to render a service for which he is paid by the public authority but he renders it as if he is obliging the supplicant. The real rulers today are the petty clerks. No file can move until they are propitiated.[49] Short of constant poking they would not work. There is a sudden strike or closure of the office or counter for some reason or other.[50] The number of holidays and half-holidays goes on multiplying. The alacrity with which any event (e.g., the death of an employee or a public figure, the visit, birth or death anniversary of a public figure, a cricket or football tournament, or the celebration of the victory of the institution in it, a solar or lunar eclipse, and all the rest of it) is converted into a holiday or half-holiday is amazing. This saves the leisure-minded people from their normal work (physical or mental) which irks them so much. The work-leisure ratio at each level of national product and the same technology falls. The payment of over-time acts with a magnetic force. The annual over-time bill of about Rs. 30 crores paid to the employees of the nationalised banks in 1980 (this had risen from Rs. 6 crores in 1976) was "not for any extra work done but as a premium for their idleness" caused by "unethical practices, lack of discipline and inefficiency". The officer-employee ratio in these banks was 1 : 3 against 1 : 8 in decidedly more efficient foreign banks. Efficiency in administration had declined in inverse proportion to the number of officers. Any move to cut down the overtime payment was met with stiff opposition. Loitering and gossiping during the office hours and absence from the office without applying for leave were on the increase. The bank accountants earned more than the Commissioner of a division. The same story could be repeated for all public offices. We had become a holidaying nation. We did not realise that national output was a function of time spent productively.

One who is more dutiful is made to work more because it is becoming increasingly difficult to make the undutiful man do even his normal, assigned work. This is "the cult of surrender". But there is no guarantee that the honest, hard-working man would get his due. When such men see that persons, who are dishonest and undutiful achieve everything they desire, without deserving, simply because they belong to the privileged and politically strong castes or come of well connected families or have direct or indirect approaches and accesses to the very important persons or have money enough to influence

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the decision-takers, they get disheartened.[51] The situation is so much perverse that by working honestly and sincerely a man (a *dove*) incurs the jealousy and animus of his colleagues (the *hawks*) who gang up against him and greet him with taunts and carping remarks and administer to him pinpricks. He does not enjoy any protection or commendation from the above. For many their normal duty becomes a past-time, whilst working for the publicity of their self-raised societies and associations in their institutions or outside them as their self-appointed office-bearers or spokesmen becomes their main preoccupation and a pretext for shirking their normal duties.[52] We are living in a world where less work and more propaganda appears to yield richer dividends. The 'leisure class' is an expanding class. But by not minding their jobs seriously those, who are employed today, may be earning for themselves more leisure, no doubt, but by so doing they are also earning for their children more joblessness too.

One school of thinkers argues that those in the public services, who are either negligent of their duties or corrupt, are so because they are not paid enough (salary, etc.) and hence they would become dutiful and honest, if they are paid enough. But the question is this : How much more should they be paid to reform their character and attitude? Their is another question: Is there any guarantee that they would become honest and dutiful when they receive more? Will the saying "Noblesse—oblige" (Privilege entails Responsibility) come true? A third question is : Should they go on getting more and still more when there are many others who have got far less or nothing at all? We should not disregard the influence of "the long life of inherited habits and tones of thought and feeling" of our people on them. As Marshall wrote in another context, "Those elements of human nature which have been developed during centuries of war and violence, and of sordid and gross pleasures cannot be greatly changed, in the course of a single generation" (*Principles*, *Appendix*).

Progress may be "hastened by thought and work." Our 'growing command over technique and the forces of nature" is making ever-growing calls for courage and caution, for resource and stead-fastness, for penetrating insight and for breadth of view". Public opinion should be so guided as to become "an informal Court of Honour" to despise men who resort to sordid means and to admire chivalry in work. The working environment must be congenial enough to inspire the employers as well as employees of all categories to give of their best to their respective occupations. Lastly, the advice given by Joad should be borne in mind "Men subscribe to creeds and observe rules and prohibitions more willingly when they believe them to be the embodiment of inspiration and expression of revealed truth than when they regard them as sublimations of the impulse to power." But if this wise counsel is not acceptable to our politicians, then the only course of action left to them will be to hound out all good men from all walks of life and entrust them to the care of bad men!

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We, Indians, are satisfied with the second or third best in everything, as J.R.D. Tata put it. "The basic attitude of us Indians is *chalega*, *ayega*, *dekhega*. Therefore, almost everything that we do, we do it poorly." Our desire to strive for and attain excellence has definitely sagged, despite the clause in the new list of citizens' duties pointing to its importance. One cannot attain excellence in one's work unless one loves it. If anyone treats his work as a burden, he will try to get rid of it in the shortest possible time. Naturally its quality will be poor. But good work must be appreciated and suitably rewarded if it is to last, particularly when it is contractual. And the needed facilities must be provided.

The control and use of the *economic surplus* of society (social or national surplus) by a certain class (landed aristocracy, middle class, industrial oligrarchy, etc.) in a country independently or as an appendage to the developed countries has been the key to power and control of development in the underdeveloped world in the last three decades or so. An economy without a surplus is like an army without a reserve; it cannot cope with an unforeseen situation.

According to an estimate, for a 2 per cent per annum rise in per capita income of the poor countries in the coming decade, savings and investment should be 20 per cent of the increment in per capita income; efficiency in capital utilization should rise 25 per cent,[53] the export growth rate 100 per cent; and foreign assistance 50 per cent.

In India production is well below the potential level. The actual economic surplus is much lower than the potential social surplus. Agriculture is still being operated on a semi-feudal basis and industry is protected by monopoly, high tariffs and other devices. A large portion of the surplus is dissipated due to the prevailing social structure and political and bureaucratic establishments. To a large extent, the economy's development depends on the level of output per head and per unit of investment in our agriculture. Our agricultural surplus is low also because of bad organisation.

The aggregate surplus agricultural produce going to the urban areas shows a diminishing trend in the wake of increased consumption of the agricultural produce in the rural areas themselves owing to rising per capita income, availability of more employment in the rural projects (including rural offices), insistence of agricutural workers on being paid in kind, etc.

Coincident with Independence and inflationary pressures[54] in the country investment in real estate like house property and land and hoards like gold and irreproducible goods like old masters has proved more profitable than that in machinery or than fixed deposits in banks, rendering the pace of development leisurely to that extent. The rate of interest charged and paid in private deals has been far higher than that charged and paid by public banks and other financial institutions. The wealthy have tended to pile up their savings abroad, making them unavailable for internal develop-

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ment. The effect of an appreciation in the value of savings in real terms has been a consumption spree—the Pigou Effect in some cases.

Unphased and unrestrained recourse to *modern technology* in certain segments of the economy has rendered a number of people structurally unemployed and the relatively rich richer and the relatively poor poorer, and the structurally unemployed and the poor are acting as an internal colony to be exploited by those growing richer.

Apart from this, in coal production, for example, with greater stress on the use of mechanical means, the problem of quality control is likely to assume gigantic proportions in the coming years. The quality of coal is deteriorating as mines go deeper down and as resort to mechanical extraction is enhanced.

In India, as elsewhere, economic growth was led "not by individuals distributed by chance throughout a society but disproportionately by individuals from some distinctive social group" (Hagen). Particular families exhibited remarkable entrepreneurial capability. But a sizable chunk of the Indian entrepreneurs was guided by "a trader's instinct" and owed its eminence to its "capacity of manipulations in the stock market, which required decision-making capability of a different order." Even to-day with many businessmen truthfulness and honesty are qualities of minor importance.

The general level of "economic chivalry" (Marshall's term) attained in the *private sector* in this country so far is low. The spirit of adventure and entrepreneurship which had characterised private industry in the early stages of the country's development appears to have been replaced by constant pleas by its captains for financial support, concessions and protected markets. The number of the induced or fostered entrepreneurs, as contrasted with the autonomous ones, is rising. The hero of the Indian industry is not the risk-taker, uncertainty-bearer or the innovator but rather the financier, the lender or the rentier—the latter overshadows the former. In private enterprises of today the approach to business ethics and morality, honesty and sanctity of the contracts, the quality of the goods ordered for and the time agreed upon for delivery appear to have all decayed, while kidding has grown. In the handful of industries, notably cotton textiles, jute, paper and plantations, sickness has become endemic but they have been kept alive on props to maintain employment. The prospect of *sick units* being bailed out has encouraged improvidence. The Government is not in a position even to assist the sick medium and large industrial units (numbering about 300 in 1981) and has sponsored mergers by offering concessions under the Income Tax Act. It considers it unwise to sink money into those sick units which are not potentially viable and has advised the banks to use their commercial judgement in advancing funds to them. The 'Midas Touch' theory has failed.

The Government of India decided in 1981 to return to their former owners the sick industrial units[55] handed over to management or control

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if there was no alternative, such as a merger with healthy units or restructuring, of reviving them. It laid down two principles which would govern the nationalization of such units : Whether a unit should be nationalised or (2) Whether any other alternative like workers' participation in management could revive the undertakings. Specialised financial institutions and banks were empowered to assume management responsibilities of units with growing sickness, provided they were confident of restoring them to a healthy state.[56]

The extension by the Janata Government of the number of reserved industries for the small-scale sector from 180 in 1976 to 804 during 1977-79 was not preceded by any inquiry into the capabilities of that sector for performing the role assigned to it. It is suggested that the bigger industrial units should be encouraged to offer to the smaller units advice on technology, packaging and marketing methods and help them to sort out their financial and management problems. It is further suggested that they should desist from extracting "forced loans" from the smaller units (as well as from the agricultural producers) in periods of credit squeeze by delaying the payment for supplies to them, besides refraining from entering the production spheres reserved for the latter. As for the Government, framing of new legislation to protect the small sector will be less important than the enforcement of the existing rules and regulations.

Since the inauguration of the Sixth Plan the private sector in industry is performing much better than the public sector in it, greatly induced by persisting double-digit inflation, and not dispirited by the credit squeeze and the dear money policy, as reflected in rising investment demand measured by opportunistic trends in the licences issued, approval of capital issues and share capital raised. But the base of recovery does not seem to be strong enough to sustain a high and more widespread growth.[57] Owing to persisting underutilization of the installed capacity,[58] we have still to import aluminium, fertilizers, cement, paper, newsprint, etc., worth several hundreds of crores every year.

One cumulative effect of consistently rising food prices during 1976-80 was a recession in demand for cotton fabrics in 1981 culminating in a pile-up of yarn and cloth (including the public sector's controlled cloth).[59] The textile mills complained bitterly of the inadequate supply of coal on account of the widespread corruption in the allocation and movement of wagons. It was made "a channel of fund collection by politicians and bureaucrats." Dagli informed that an industrialist in Western India was required to pay as much as Rs 1.50 per tonne of coal to get a wagon on time from the railways. He had no choice, for if he got coal by road transport instead, he had to pay an additional amout of Rs 300 per tonne. On the other hand, without having to waste money thus, the Coal India had been incurring losses at the rate of Rs 100 crores a year for several years past.

The private sector accounts for more than 90 per cent of total output of cement in the country. But only about 40 per cent of

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total cement production (amounting to 22 million tonnes), roughly 9 million tonnes, goes to meet the demand of the private consumers, the remaining 13 million tonnes being used by the Government agencies. The private sector is of the view that unless its retention price is increased substantially, the resources generated by the industry internally will not be adequate to finance the expansion and modernization schemes in it. The Government is reluctant to do so because that would mean a big increase in the private sector costs. The Cement Manufacturers' Association in 1981 made a plea for total decontrol. At present there obtains a gap between demand and supply of about 4 million tonnes after taking into account imports of 2 million tonnes. Partial decontrol involving dual pricing, as in the case of sugar, might enable the Government to continue getting its cement supplies at controlled rates for essential purposes and small consumers and the manufacturers to fetch high returns through higher prices in the free market by selling to the bulk purchasers who can afford the premiums now charged by the traders or the allocating authorities. But the inherent danger is that this may lead to total decontrol and considerable rise in the price, rendering the middle-class buyers unable to buy their requirements.

The private industrialists complain that they face long delays in obtaining the Government's approval for industrial projects despite the short-cuts devised by the Ministry of Industry. They are highly critical of the bureaucratic hold over the industrial development of the country and want it relaxed. They further complain that the Company Law Department takes its own time for the MRTP clearances. The financial institutions add to these delays and even impose harsh terms. The non-compliance of the promoter's quota by the industrialists either delays or prevents the execution of projects. Because of the very high rate of corporate taxation private enterprises cannot retain sufficient earnings that could constitute the risk capital for securing supplementary funds for undertaking new investment.

Government controls in a mixed economy are a principal weapon to improve the working of the price system. Myrdal has noted that a view commonly held in India is that private enterprise should be promoted and stimulated by means of positive operational controls and that the public undertakings should improve conditions for private business. But the application of excessive positive operational controls occasions "a wide range of negative discretionary controls" and the placing of "so many of the positive controls on a discretionary basis". "Encouraging private enterprises beyond practical limits makes necessary a gargantuan bureaucratic system of administrative discretionary controls to harass it".

Furthermore, "in a system of operational controls of the Indian type, the application of one set of controls has a tendency to make necessary the application of others". There is "a self-perpetuating and expansionary tendency in every system of negative

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discretionary controls, especially when the economy is suffering from a shortage of domestic supplies and foreign exchange".

The "pathological addition to controls" in India derives support from four basic hungers as Palkhivala sees it, viz., (1) the hunger of professional politicians for that brand of socialism which is the opiate of the people, (2) political parties' hunger for an unending supply of funds, (3) the bureaucrats' hunger for larger and larger powers, and (4) the unprincipled businessmen's hunger for untaxed income.

The Government of India controls important economic levers like licensing, subsidy, bank credit and distribution of scarce commodities, with the result that anybody who is somebody in the Government is "now in a position (if he wants to abuse it) to give out enormous favours—at a price" (Sau). In certain cases industrial licensing has redistributed wealth and economic power from the old rich class of entrepreneurs to a new class of people who have become rich in a few years. It has been further alleged that increasing consumption of steel, cement, coal, paper, cloth and other goods by the public sector upsets the demand-supply equilibrium in the market.

The Industrial Policy Statement of July 1980 lays particular emphasis on improving efficiency and productivity in the industrial sector through optimum utilization of its existing capacity. With this end in view recognition is to be granted to increased capacities arising from technological improvements and labour productivity by endorsing industrial licences selectively on the basis of such capacities and to permit automatic growth in industries in the core sectors or with long-term imports. The induction of advanced technology, introduction of processes which would aim at optimum utilization of energy as also for the establishment of appropriate capacities to achieve economies of scale are also to be provided for. A special thrust is to be given to the establishment of export-oriented units. The operational elements of the Industrial Policy would have to be kept constantly under review in order to meet the challenges arising from the shifts in the national and international economic situation.

The Sixth Plan wants to protect employment by giving all possible encouragement to the growth of cottage, village and small industries. Sectors where efficient production can be secured on a small scale would continue to be reserved for future expansion only by the *small-scale units*, even if this involves some social costs. Dispersal will be favoured on grounds of both economic efficiency and social desirability in those industries, where the scale economies are not important. But in those ones, for example, those catering for export markets where these economies are important, existing enterprises would be expanded. Import of up-to-date technology in export and key industries would be liberalised.

The Industry Ministry rejected in 1981 a proposal that the private sector should not be allowed to import *technology*, if such technology

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was available within the country. The pragmatic realisation of the need for advanced foreign technology for rapid development is a reassuring departure from a doctrinaire past. But a little circumspection may still be in order in considering technological collaboration arrangements. What is more important, the aim should be the assimilation and adaptation of what is imported and, if possible, improvement upon it by indigenous innovative skill. Indiscriminate transfer of foreign technology would frustrate indigenous innovative enterprise and talent.

Confronted with the inability of the public sector to generate resources on the scale required to take on high capital investment areas and also to find competent technical and managerial personnel, the Government liberalised further in 1982 the industrial policy regulations governing expansion of productive capacity and growth of the larger industrial houses in the core or priority sectors. The scope for the expansion of the MRTP and the FERA companies was enlarged beyond the 1973 confines to achieve the vital objectives of investment in high technology, export promotion and large-scale expansion of ancillary units. These companies had generally fared better in raising funds in the capital market and enjoyed a better access to foreign investment, technology and collaboration.

The Government decided in 1982 to waive the existing penalties against the units in the private sector which exceeded their licensed or installed capacity and to allow automatic expansion of their capacities upto one-third over their best production level in five years and even further if a case were made out.

A network approach in terms of infrastructure, investment, equipment, technology, marketing and management structure was evolved and applied to all nodal projects in the economy.

The private sector ascribes its inability to generate sufficient internal surpluses primarily to the high rates of corporate taxation, the low rates of depreciation allowance and the sluggishness of the capital market (owing to a lower yield on shares compared to the return on other forms of investment, small capital appreciation, high rates of personal taxation, institutionalisation of personal savings in the form of provident funds, life insurance premia, etc., refusal of the banks to advance loans against the security of shares and inadequate facilities for the marketing of shares). It suggests lowering of the existing rates of corporate taxation, raising of the rates of depreciation allowance, issue of convertible bonds by companies, increase in investment allowance, availability of bank advances against security of shares, establishment of private investment trusts, strengthening of the secondary market for debentures by making them eligible for investment by institutional investors, liberalisation of bank credit and mobilisation of funds from foreign capital markets.

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The great advantage of *local, regional planning* is its knowledge

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of resources locally available and of the requirements of the people *in situ*. But its equally great disadvantage is its exclusion from nation-wide decisions about aggregates and sub-aggregates, such as credit and banking, international trade, input-output matrices (embracing basics like coal, cement, steel, etc.), public utilities controlled at the federal level—forces and pressures which operate at the level of the economy as a whole, thereby affecting the local units as well.

The National Committee on the Government's Policy and Development of Backward Areas in its report shows how the benefits of the Central investment subsidy and concessional finance have gone to those districts, the majority of which are in those States and Union Territories, which were not classified as industrially backward, mostly in the west and the south, which were also in close proximity to the relatively developed industrial centres. Many of the promising approaches outlined by the Central Government towards the dispersal of industry had not been pursued in practice. The licensing policy had proved negative and had at most imposed certain restraints on the pace of expansion in the developed areas and thereby had made it easier to attract entrepreneurs to the *industrially backward areas*.[60] The bulk of the employment generated was of local labour. But skilled labour had often come from outside the district, so also entrepreneurship for the medium and large units generally, though the small entrepreneurs were mostly local. With few exceptions, the industrial estates programme had not helped to re-locate industries away from the developed areas to the new centres. The travails of the less developed regions had not abated to any perceptible extent.

The Committee underscored three measures as under :

(1) To direct dispersal at a sufficient distance from the existing centres ;

(2) The importance of infrastructural development ; and

(3) The need for co-ordinated effort.

Six *industrial regions* can be clearly distinguished in India, viz., (1) The Hooghly Belt, (2) the Bombay-Poona Belt, (3) the Ahmedabad-Baroda Region, (4) the Madras-Coimbatore-Bangalore Region, (5) the Chotanagpur Region, and (6) the Mathura-Delhi-Saharanpur-Ambala Region. Besides the above regions, a number of *clusters* with many consumer and other industries have come up all over the country, particularly around large towns. Kanpur, Indore, Bhopal, Patna, Hyderabad, Visakhapatnam, Cuttack and Cochin are such large industrial clusters with a variety of industries. Barring these regions and clusters, there are numerous regions which are not on "the main line" of development.

Sir John Hicks, in his speech (which was on the lines of Myrdal and Hirschman) delivered in January 1982 at the Institute of Public

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Administration in New Delhi impressed upon the audience the usefulness of knowing what export and import every region in a country had, as also the movements of capital and grants to and from it, instead of merely guessing them, so that a better analysis of the situation could be possible. He is reported to have observed (*Statesman*, 15.1.82) that although normally one was accustomed to studying the economy of a country in terms of its balance of payments, yet, in fact, every region of a country had its balance of payments. In the context of India it would be useful to study as to what this position was and which the surplus-generating States were and which the States that, over the years, had been simply soaking up the surplus were. Did these States simply trade with each other or did they not only export to other States but also to other countries ? The Indian economy seemed to him to function as a sort of a common market of its various States. In India one should have known which the paying regions and which the exploited regions were.

We can add, in parenthesis, that the Centre can by permitting imports of such goods as are grown or produced in any State deal a blow to its economy, and vice-versa,[61] through its boycott or support policy.

The performance of the *public sector enterprises* in matters of production and finance has to be improved. The more the larger ones among them (e.g., Bharat Heavy Electricals Ltd.) expand, the less efficient they tend to become owing to the steadily deteriorating discipline on all rungs of their technocratic ladder. Costly equipments are left without adequate protection for long, so that they do not work satisfactorily when installed. The politicization of workers and the abject failures of the management and the unions at times bring the units to a shocking state of inefficiency and waste. One has to guard against the orgy of statistics, recited by the Government, in view of the fact that since the choice of the base for comparison of economic trends in the units can make even smaller achievements look bigger. In addition, stating the rise in output in value terms, in the regime of continuously rising prices, makes such an attempt all the more suspect. Likewise, the rising weight figures can be misleading if they are due largely to the production of heavier but lower valued and cruder items (say, in the case of steel production, or increased ash content and high moisture in that of coal output). In 1971-72 the average ash content of coal raisings was about 20 per cent; in 1981-82 it had gone up to 27 per cent. In other words, in an inflationary situation and in the context of changes in administered prices, improvements in output in terms of value can conceal low levels of performance or even set-backs in real terms.

It is high time that the question of capital restructuring in those units is considered, where financing of losses by way of loans has had a snowballing effect, with higher losses being continuously financed through loans. Where net losses sustained during a year are almost

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equal or even higher than the annual turn-over in a unit, the Government should find it difficult to continue reimbursing the cash losses. Upto 1979-80 the cumulative losses incurred by 32 important units[62] had exceeded their total paid-up capital by Rs 540 crores.

The public sector units had incurred losses totalling Rs 40.09 crores in 1978-79, the figure having risen to Rs 74.28 crores in 1979-80. On the other hand, the sales and gross profits in the private sector had gone up by 15.3 per cent in 1978-79 and 17.3 per cent in 1979-80. Admittedly, a large portion of these improved figures had been the product of inflation. The important point, however, was that higher profitability had enabled the private sector "to sustain a high level of gross fixed assets formation with internal cash generation financing a sizable proportion of it". In 1981, whilst the Government sector borrowed from banks at 7 per cent rate of interest, the private sector had to pay 22 per cent.

Fraud in nationalized banks by their staff was reported to be increasing so alarmingly that the amount of money looted in armed raids seemed just a fraction of what went out by the "white-collar crime"—fraud, forgery and embezzlement. The bad debts of the nationalized banks (not to be divulged by the Government in public interest) were estimated at 25 to 32 per cent of their gross profits in 1982.[63] All this sharpened the shafts of criticism directed against the public sector, though any well-founded criticism appalled the Government.

It may be mentioned here, in passing, that the Government initiative in the sphere of agriculture too has met with a sad experience. During 1976-81 the State Farms Corporation, a Government of India undertaking, incurred a net loss of Rs 3.5 crores on nearly 30,000 hectares. This was when the member farms had all the advantages, such as sophisticated equipment donated by the Soviet Union, the best technical guidance available in the country and the facility to sell their produce as improved seeds at a premium price.

Over the last decade or so the necessity of developing public enterprise administration as a separate profession distinct from either business administration or public administration has been recognised, resulting in a reasonable improvement in the "professionalization of public enterprise management". The number of managers employed in the Central public enterprises exceeded one lakh in 1981. Increasingly, the top and senior level posts in these enterprises were being occupied by persons with the necessary academic and professional background and managerial experience. Notwithstanding this, the richness of work experience and professional expertise they had acquired at various levels and positions of responsibility that they held in the past were yet to be utilized in the best possible manner.

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Although the guidelines for the recruitment policy in the Central public undertakings attempted to strike a balance between the demand

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of the local people for employment and the need to recruit the best talent in the country, they were not being implemented faithfully and consistently.

The public sector units do not generally endeavour to achieve "a standard". They do not want "excellence". They do not aim at "perfection". In the words of J.R.D. Tata (*India Today*, December 31, 1981), "We have the worst telephone system,[64] the worst television system in the world, the worst rail and road transport, system, almost everything we do. We have the honour of making without any hesitation the worst motor car in the world...You can only achieve a standard by aiming at something more; so if you want excellence, you must aim at perfection. I know that aiming at perfection has its drawbacks; it makes you go into detail that you can avoid; it takes a lot of energy out of you but that's the only way you finally actually achieve excellence.[65] So in that sense being finicky is essential." The Indian business mentality is to suppress flaws instead of making a clean breast of them in all conscience.

All the same, so that a losing public sector concern does not unnecessarily become "the whipping boy" its administrators ought to keep the people at large apprised of its problems and difficulties, that is, its seamy side and thereby keep the channels of communication with the public at large open. This would prevent misunderstandings from growing, and simultaneously contribute towards image-building.

According to certain latest studies (Sau's and Bagchi's, for instance), the Government of India is gradually shirking its responsibility regarding capital formation and technological advancement. Were total expenditures of the Central Government to be classified under the following three heads, viz., (a) financial investment and loans to the rest of the economy, (b) transfer payments to the rest of the economy, and (c) final outlay on goods and services, it would be found that (a) constantly takes away a little less than one-third of the total, (b) has been going up very fast (it accounted for less than one-fourth of the total in the 1950's; by 1979-80 it claimed a little less than two-thirds), and (c) is going down proportionately. In 1981-82 (a) and (b) together comprised nearly 70 per cent of the total Central expenditure. (c) has two components, viz., (i) consumption expenditure and (ii) gross capital formation. (ii) constituted some 17 per cent of the total expenditure during the first three Plans, less than 10 per cent during the decade from 1967 to 1976, but only about 8 per cent since then. In 1981-82 (c) accounted for about 30 per cent of the total Central expenditure. The economic role of the State in India has thus undergone a metamorphosis. During the Second and the Third Plans the public sector undertook major investment activities in basic and heavy industries; thereafter it entered the field of consumer goods and services like soft drinks, bakery, hotel and tourism. The target share of the public sector in the outlay under the Sixth Plan is 56.6 per cent, which is below that projected for the Fifth Plan at 70 per cent and is, in fact, below the share of the public sector outlay in

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every Plan since 1951. The inputs of the socially produced and consumed goods and services come largely and increasingly from the private sector enterprises. This de-emphasis on the public sector (tantamount to capitalist recrudescence or a paean or tilt to individualism) is a retrograde policy,[66] to the emergence of which all kinds of accidental and adventitious factors have contributed. Controls and welfare measures have been increasingly taken recourse to, to keep alive a semblance of social justice and to distract public attention from the failures of the public sector. This is eerily unlike democratic planning to which India committed itself in the First Plan.

In 1981, 27,000 out of 61,000 km of the railway track in India were in need of immediate replacement. Rolling stock was in equally bad shape; at least 7,000 out of 25,000 coaches and 65,000 out of 4,20,000 wagons had been condemned for years but were still in use. The number of distressed bridges had gone up from 1,247 to 3,553 during 1971-81. Only 12 per cent of the "originating" trains and 1 per cent of the "terminating" trains had effective brake power. 80 per cent of the machinery and plant in the mechanical workshops and 50 per cent of them in the production units and loco-sheds of the *railways* needed renewal. More than 40,000 cases of signal and interlocking gears fell every year. Prolonged mismanagement and diversion of resources to politically expedient schemes have in the past resulted in heavy arrears in replacement of the rails or sleepers and timely repairs and additions to the rolling stock.

The proportion of accidents due to human failure rose from an average of 42 per cent during 1969-79 to nearly 60 per cent in 1979-80.

The strategy lately adopted by the Railway Board is to concentrate on long-distance bulk movement of selected commodities in rakes, sacrificing traditional commitments. Not only has it tended to make the railway force less attentive to the norms of safety and maintenance but the gains of the new policy in selected areas (coal, for example) appear to have been neutralized by setbacks in others (steel, for example).

Passengers were paying higher fares for slower travel. Disrupted long-distance reservations necessitated extra payments to the railway staff or to the authorized travel agents (the touts) who acted in collusion with them and swindled the credulous passengers. In several cases the extra payments amounted to about half the actual fares. But reservations did not guarantee that the seats or berths would be had, for they were as well occupied by those without reservations and many with tickets for the lower class or without any tickets overcrowded the compartments blocking the passages, the toilets and the entrances, whilst the conductors and the attendants remained silent onlookers or stayed away. In the case of goods transport, parts of the goods were pilfered in transit by hardened gangs because of the non-sealing of the wagons at the loading points.

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The railways are labour-intensive. They employ 1.7 million people. Among them are "vast numbers of humble railway employees, the majority of them with little or no education and far from being well-paid, scattered over the four corners of the country, working in uncongenial and difficult conditions on the lines, at isolated wayside stations, in workshops and sheds with very little supervision . . ." More than 60 per cent of the total expenses are accounted for by wages. This is a capital case of employment-intensive activity.

On March 31, 1980, 57 per cent of the Indian villages (numbering 5,76,000) having a population of 100 to 500 and 22.9 per cent of them with a population of less than 1000 were connected by all-weather *roads*. As many as 3,14,000 villages did not have access to motorable roads even of the most rudimentary kind. Apart from the dearth of funds, organizational and technological difficulties kept cropping up in the rural road-building programmes. Cement and bitumen were becoming costlier and their supply was falling short of the requirements. On an estimate, Rs 11,000 crores were needed over the next two decades to bring every village within 1.6 km of one such road. A suggestion put forth is that a better coordination of the rural roads programme could be ensured by setting up a single agency both at the Centre and in the States, which would utilize funds from several sources (funds for the purpose are available under the command area development programme, drought-prone area programme, national rural employment programme, besides the various markets, boards and local bodies), take an over-all view of the availability of funds and the gaps in the field, and would be able to plan more logically for the optimum utilization of available funds.

Average capacity utilization by the *power* units in India in 1981 was as low as 44 per cent. According to an expert opinion, were this to be raised to 60 per cent, the power problem would be largely remedied. The power position would further improve markedly, if the transmission and distribution losses, estimated in the same year at about 23 per cent, could be reduced.[67]

The regional development of power in the country has been unbalanced. Since 1951 the capacity increase in power in the eastern region has been the lowest. While the capacity has increased 23, 28 and 29 times in the northern, western and southern regions respectively, it has increased by only 7 times in the eastern region. All the eastern States together consume less than 25 per cent of the country's total power supply.

The sectoral shares of commercial energy use are glaringly uneven. Our agriculture, which provides nearly 40 per cent of the national income and over 70 per cent of all jobs, uses only 10 per cent of the total commercial energy. Lately, the diversion of power from the urban and industrial areas to the rural, particularly during the seasons, has tended to augment the share of agriculture in energy consumption, though by increasing the hardships of the consumers in the former areas.[68]

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The current plight of the State Electricity Boards is due to delays in the commissioning of new projects, under-utilization of existing capacities, huge transmission and distribution losses and an unremunerative tariff structure. Nothing has been done all these years to set these factors right. Some Boards have resorted to levying flat rates for power supply in the rural areas by dispensing with the use of metres—a step which has been frowned upon by the Planning Commission. A committee of the Government of India, which probed the power problem way back in 1964, had maintained even then that discipline at all levels, prompt commissioning of projects, effective collection of all outstanding dues and non-interference by the political forces could go a long way to help the Boards to function more efficiently and profitably.

As it is today, most State Electricity Boards are plagued by the worst features of public sector management : their working is hampered not only by constant interference by the State Governments but also by two basic deficiencies, which feed on each other, viz., inefficient management and indisciplined workers. It is these two factors which have, by and large, led to poor maintenance of costly equipment, resulting in frequent breakdowns. To them we may add also the fact that almost all Boards are heavily over-staffed. Moreover, although bureaucrats dominate over technocrats in most Boards, yet the replacement of the former by the latter in senior posts in some Boards has not brought about any noticeable improvement in their working. On March 31, 1979 the cumulative losses of 11 Boards amounted to Rs 773 crores. Contributing to these losses, among other factors, was that of unauthorized power connections almost everywhere. In September 1981 there were as many as 26,000 unauthorized power connections in Delhi itself. Besides entailing a considerable loss of revenue, they imposed an additional strain on the entire system and upset all calculations.

The Maharashtra State Electricity Board was an exception. Maharashtra's per capita power consumption rose from 73 kwh to 210 kwh between 1960 and 1979 but the Board managed to keep the customers satisfied by an efficient management of its power plants, which registered approximately 70 per cent capacity utilization, compared to the national average of 57 per cent during that period.

The Rajadhyaksha Committee on the Restructuring of the Power Industry has recommended that the Central Government should take over the generation and distribution of electricity from the State Electricity Boards and the Boards should transfer at least 45 per cent of their total generation capacity, including sub-stations, to the Centre by the year 2000. But the States are opposed to these recommendations.

This proposal of the Central take-over of the State Electricity Boards has to be examined in the light of the equally unsatisfactory performance of the Centrally-run units, such as the DVC and the Badarpur power station—their extremely low capacity utilization.

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The Centre has for several years thought aloud on the expediency to import on a turn-key basis, power plants based on the latest technology. The critics of this idea have been imputing a motive to the Centre's hobnobbing with the multinationals which have been conspiring to invade India's power sector since their business has shrunk elsewhere because of the global oil crisis. This furious controversy has been delaying a final decision in the matter.

The role of the private sector in the field of power generation is at present governed by the Industrial Policy Resolution of 1956. That resolution does not preclude the expansion of the existing privately-owned power stations or the State securing the co-operation of private enterprises in the establishment of new power plants of the Government of India. The Energy Ministry received a number of proposals in 1981 for setting up new power generation plants in the private sector, which has sought some relief in indirect taxation as an incentive, for example, that the generators should be totally exempted from excise duty and custom duty.

Labour movement in India in the last few years has degenerated into hooliganism and gangsterism. Employers allege that trade union leaders are bereft of any sense of social responsibility and indulge in violence and use muscle-men and strong-arm methods to intimidate both the workers and the management. In addition to the old guard, crooks and amateurs dictate the key decisions. Inter-union rivalry is the bane of *industrial relations*. The managements complain of increasing inroads by the unions into their prerogatives, whilst the unions, of the employers' wooden attitude. The Government is inclined towards the grant of small mercies to the workers even if they hurt their masters.

An event of momentous significance in 1981 in certain parts of the country (e.g., Bombay) was the coming together across the table of a large number of prominent industrialists and trade union leaders for a sustained effort to find the areas of agreement and to thrash out agreeable solutions of labour problems. It was felt that if a suitable formula for bargaining modalities could be arrived at, then efforts could be made to lend a legislative sanction to such measures.

It is imperative that the areas of collective bargaining and participating management must be clearly demarcated in the enterprises so that they supplement instead of supplanting each other. There must be maximum feasible identity of approach between the parties, regarding the working of the participatory forums—shop-level, plant-level and corporate-level. The decisions taken at different participatory forums must be implemented faithfully within a specified time-frame to generate confidence and commitment on both sides. Also, there must be maximum feasible information-sharing and an effective two-way communication in the enterprises in order to ward off distrust and suspicion that prove lethal to the very attempt to introduce the scheme of workers' participation in management.

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Limitations and restrictions placed by the state on labour and management must be viewed in the perspective of the larger interest of promoting and sustaining an orderly development of a free society and not in terms of the pre-eminence or prestige of this or that party. Industrial relations are a complex form of human relations and are, therefore, fluid and vibrant in their conceptual framework, interpretation and implementation, and cannot be contained in a permanently rigid form.

In those States (such as Bihar and Madhya Pradesh) which have the weaker sections (viz., scheduled castes, scheduled tribes, and other backward classes) in large percentages of their population, the provision of free education coupled with that of sumptuous stipends, to the children of these sections as well as the provision of handsome loans advanced through banks and co-operatives to the members of these sections (which are generally spent on consumption instead of production for which they are meant and most of which are written off subsequently) has served to withdraw a part of the total supply of their labour from farming and other rural occupations, thereby pushing up wages and holding up farming operations at times in a year. Not only has the flow of labour for menial work from these sections diminished but also a sizable proportion of whatever flow there is to the urban areas is now increasingly engaged in tea-stalls, eating houses, hotels, rickshaw-pulling, *khatals*, railway stations (principally as porters or vendors) and in offices (as peons, etc.). Private households are mostly starved of the supply of domestic servants. They have suffered severely from the competition by partnership and corporate establishments of all types, which now employ them in higher percentages by offering them more attractive wages, salaries, etc., even if those employed have to plod as the beast of burden in them like what they have to do in some private homes.

The minimum wage recommended in 1981 by the State Labour Ministers was Rs. 240 a month. This coincided with the poverty line, defined by the Planning Commission. But in several States (Bihar,[66] for example) the zamindars foiled the efforts of the insistent local labourers by procuring the services of labourers from other places at lower wages. Increased minimum wages in agriculture induced a rise in the minimum wages in non-agricultural employments in the rural areas and/or gradual mechanisation of production therein.

While the old forms of bonded labour are being expropriated, its new forms (severe maltreatment and enslavement) are making their debut, especially among those workers who are migrating from the less prosperous States (e.g., Bihar and Uttar Pradesh) to the more prosperous ones (e.g., Punjab, Haryana and Rajasthan). The migrant agricultural workers are moving increasingly out of plantations and agricultural works. Many bonded labourers who have been legally freed from their age-old bondage have not been provided with any alternative source of living in States like Bihar. The Centre had to ask the States in March 1981 to speed up the process of identification and

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rehabilitation of bonded labour so that the available benefits were expeditiously extended to them. It was urgent that the programmes of adult education and publicity of the new legistation were enforced efficiently and the earmarked Central funds fully and properly utilized.

There is a suggestion made by the Government to involve *Panchayats* in the enforcement of the agricultural minimum wages, payment of compensation to the labourers who are involved in accidents and rehabilitation of bonded labour.

In the last few years trade unions have talked frequently about organising the rural workers as well. Some of them (for example, the UTUC Lenin Sarani in West Bengal) have attempted to do so. But they have not had much success so far, except in certain pockets. Under the Sixth Plan, during its first two years, 350 blocks were chosen in 6 States, where selected organisers planned to educate the workers on their rights, such as the Minimum Wages Act, and duties, and help them organise themselves into co-operatives, etc. The formation of unions was supposed to make this exercise more purposeful. The Government was to be moved for making a provision in the Trade Union Act to the effect that unions or associations of persons employed or engaged in agricultural or other rural operations would also be entitled to registration under the Act and all the provisions of the Act would be applicable to such registered unions or associations. It was suggested that the mode of verification of membership of the unions in the rural areas should be different from that adopted in the case of the organised sector.

In January 1982 the National Campaign Committee of Trade Unions advised the Union Government "to realize the strength of the genuine feelings of working class, against its economic and labour policies" and to withdraw the anti-working class legislation like the Essential Services Maintenance Act, the National Security Act, etc., which were enforced in 1981 to curb strikes and lock-outs.[70]

Will the recent boost to the agricultural wages bring about the *Ricardo Effect* in the Indian economy? On account of the interaction of mixed forces, nothing for certain can be predicted. The statutory fixation of minimum wages in agriculture, which means much higher money and real wages than have prevailed before (minimum wages are being fixed by the Government in non-factory employments too, and they are going to be much higher than previously—this is being based on the concept of the national minimum wage), execution of more and more programmes giving employment to the rural people with provision of payment, partly in kind (for which the Centre releases foodgrain to the States), extension of the public distribution system to the rural areas for supplying the necessaries of life at controlled prices, subsidisation of agricultural inputs and services by the Centre and the States, the raising of the levy or procurement prices of the staple foodgrains, covering of the the rural areas under the social security scheme, the increased provision of the social services (there

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are colleges and institutes now also in the rural areas as well), developing transport facilities in the villages, etc.—these are the varied forces in our mixed economy which do not embolden us to hazard the prophecy that the cost of labour-intensive products rising, the output of capital-intensive products will receive an impetus, thereby affirming the Ricardo Effect. What will happen to the *terms of trade* between the rural and the urban areas in the short run and the long run? Will they shift against the latter in the short run but revert in the long run? Our eyes cannot pierce through the thicket of the conflicting and fickle tendencies. In spite of this obtrusive difficulty, if the terms of trade turns in favour of agriculture, more non-agriculturists will opt for agriculture, and vice-versa, until they hark back to their normal equilibrium level. But in a managed economy, there is no such level.[71]

One of the primary objectives of the Indian Five-Year Plans has been the strengthening of the impulses of modernisation for the achievement of economic and technological self-reliance. Another is the promotion of efficiency in the use of resources and improved productivity.

The major employment-generating activities are agriculture, rural development, village and small-scale industries, construction, public administration and other services.

Statistically, the employment in an activity is related as a non-linear function of either gross output or value added and in the case of agriculture it is related as a fixed co-efficient of land, the major input.

The Indian Plans have favoured a technological policy capable of stimulating labour absorption at a satisfactory rate. *Technological change* is to be regulated with a view to protecting and enhancing employment. The employment impact of various programmes is to be carefully considered and, other things being equal, programmes or projects with higher employment potential are to be given preference.

The process of technological modernisation in Indian agriculture began a few years ago. Average yield levels in most regions and farming systems are still below what can be attained with known technology. We still need to extend modern technology to new areas to develop a technology for ecologically handicapped regions.

The foundations of agricultural growth lie ultimately in advances in the technology used at the farm level. The basis for these advances lies in the system of agricultural research for the promotion of appropriate technology.

The causes of slow transfer of technology to the field have to be identified. There are certain gaps in the transmission of the fruits of agricultural research to the field level. These have to be filled.

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The pace of mechanisation in agriculture has to be carefully regulated so as to ensure that labour absorption is not adversely affected. Unrestricted mechanisation (for example, tractorization or the use of the harvester-combine) of agricultural operations cannot be in the interest of a poor, developing country like India because it will severely worsen the rural unemployment problem. The pricing, credit and fiscal policies should not be made unnecessarily favourable so as to encourage it. As such, a policy of selective mechanisation should be adopted. Some forms of mechanisation, like pump-sets, are beneficial because of their positive employment effect.

Tools and implements suitable for different areas should be identified. Extension programmes should be executed for the transfer of technology to the field level. Demonstrations should be organised to motivate the farmers in the use of improved technology. Agro-service centres should be established. Personnel should be trained in the operation, maintenance and management aspects of agricultural machinery for functional performance and durability. Credit should be provided for modernisation of agriculture.

The public authority should ensure that the gains of technology accrue increasingly to the small and marginal farmers and are reflected in the adequacy of remuneration for agricultural labour.

Growth with stability should be the major aim of technological development in agriculture. The stability of agricultural production should be ensured through improved soil and plant health care and post-harvest technology. Technology for minimising the adverse impact of aberrant weather on agricultural production and for fighting the triple alliance of weeds, pests and pathogens should be developed for all major farming systems and farming regions.

But the problem of appropriate technology, or rather the spread of the new technology, in agriculture encounters special difficulties. The basic unwillingness of the average farmer to adopt it has not been set in perspective. The reluctance to change if the risks of change are not adequately covered is not properly appreciated. The risk of crop failure being there and the investment requirement of the new technologies being larger, the state has to assure the diffident, hesitant farmer, arrange a demonstration of its potential benefits, provide technical and managerial expertise, transmit the results of research through skilled extension services, emphasise on-farm experience and differentials of local problems, shift attention to the necessity of maximising profits per hectare by means of mixed farming and, above all, organise an adequate and regular supply of credit and inputs.

So far as irrigation is concerned, the Indian planners recommend the development of indigenous technology for new instruments and materials. Execution of irrigation schemes affords a large scope for providing employment, particularly in the rural areas. Manual construction methods utilizing large numbers of unskilled and skilled workers are invariably used. But there are certain types of works

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where mechanisation is inescapable for the timely completion of the schemes and for the quality of work. So a combination of technologies should be adopted.

The forest technology needs development; so do the solar, wind and bio-mass sources of energy. Non-mechanised road transport is particularly important as it caters to the requirement of the rural areas. There is an urgent need to modernise the animal driven cart, particularly the bullock-cart.

In respect of industry, wherever clear alternatives for production of goods or services are available, labour-intensive technologies and processes should be preferred, provided the productivity is not unduly affected. In the consumer goods sector two or more levels of technology co-exist and a serious problem of the choice of technology has to be faced. This sector should record an employment growth rate which is higher than its output growth rate. Capital, which is in short supply, must be saved. Technologies having low capital to output ratios should be employed.

The technologies used at present in rice milling, pulse-processing, cotton ginning and pressing, sugarcane crushing in the mill, *gur* and *khandsari* units, etc., have to be improved for achieving higher recovery and superior quality.

Low levels of technology resulting in poor productivity and inadequate returns have continued to characterise the traditional industries. Even with the introduction of the newly evolved technologies in some of them, the value added percentage in the final product though high, the gross value continues to remain quite small and the artisans, despite being fully employed, remain below the poverty line.

The process of under-cutting and ruining artisans and small businesses by modern industry has not come to a head. But it is a secondary source of the growth of a proletariat class devoid of the means of production. The primary source is their rapidly increasing numbers in a stagnant sector of the economy. They and their offspring are taking increasingly to the clerical and other jobs in most parts of the country where they have a low economic profile.

The existing technologies in the village, cottage and small-scale industries have to be up-graded. Appropriate technologies have to be developed. They have to be extended and transmitted effectively to achieve a better utilization of the locally abundant resources. Such measures will enhance the productivity and the competitive power of these industries, which will in turn help them to fully exploit their employment potential without loss of efficiency and with reduced drudgery.

Their technical problems and areas of research wherein improved technology could yield better returns in relation to time and effort expended should be identified. Suitable small and simple machines

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and devices can be used. The appropriate technologies, when evolved, should be integrated with the broader programme of all-round rural development.

However, care should be exercised to deter indiscriminate displacement of traditional crafts and skills or adverse effects on their labour-intensity. An over-all increase in the productivity and earnings of the artisans must be ensured. The specialised institutions should examine the economic viability of the various alternatives available and undertake pilot-scale commercial experimentation of the optimal solutions evolved. The commercial production of the new technologies should be the responsibility of the focal point, whereas their transmission and dissemination should be the responsibility of the specialized agencies or boards.

Training for skill formation and reformation should be emphasised because it is an effective vehicle for a wider diffusion of technologies and up-gradation of the expertise and skills of the entrepreneurs and the artisans. A package deal of supporting facilities (e.g., supply of tools and implements, inputs and credit, marketing arrangements, subsidies and rebates, concession in interest and tariff charged, etc.) should encourage the village, cottage and small-scale industries. Under the common production programme the Government may be committed to a policy of reservation and excise protection for these industries. Ancillary units can be developed and linked to medium and large units.

In conclusion, since the development of rural industry cannot be accomplished in an isolated and self-contained manner, the technology chosen for it will turn on those chosen for agriculture which complements rural industry and for modern industry which competes with it.

An intuitive and perceptive incursion into the available statistics should not fail to reveal that in the last twenty to thirty years our economic policies have brought about such a redistribution of income and wealth among the three classes of our society that the middle class has been rendered worse off, relative to both the lower and the upper classes. There are unmistakable signs that the lot of this class would futher deteriorate, in comparison. This class is going to be the weakest link in the social chain and its character, strength and welfare will largely determine those of the whole society.

The *inflationary spiral* in India has now become a kind of abominable snow-man, following the steep climb of prices to unprecedented heights. The consumers have been made to pay through their noses, as it were. They have been getting less and less of goods and services, rupee for rupee. With 1949 as base, the value of the rupee in October 1974 was 28 paisa. The rupee in 1981 was less than half its value in 1970 and a quarter of its value in 1958. In 1979-80, prices rose by 17 per cent; in 1980-81 by 18 per cent.[72] The September 1980-September 1981 consumer price index showed a rise of 13.5 per cent, though

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it was flattening out. The focal point of popular concern was the retail or consumer prices. The people's bitter experience of consumer prices contradicted the soothing official versions of the price situation (namely, the achievement of a single-digit rate of inflation calculated on the basis of the wholesale price index).[73] Another evidence contradicting them was the several instalments of additional dearness allowances that had become due in the third quarter of 1981. Whilst the cost of living of the salaried groups rose by lift, their income rose by steps, so to speak.

The pay-structure in the public sector services has been bristling with anomalies over the last several years. Some of the industrial and financial institutions are "high-wage islands" in the country. An assistant professor of medicine and a university professor in any faculty, for instance, earn at present less than a bank clerk. Even a peon in a bank gets more than a lecturer. Salaries and perks in these islands bear no relation to the hours of work,[74] the time and money spent on acquiring professional qualifications, etc. Salary disparities are a sore point with the employees. The recommendations of the recent Pay Commissions have been such that their implementation has created more anomalies than they have purported to obviate. The economy is littered with numerous low salary/wage pockets/sectors. 'Net advantages' of different occupations differ also for the reason that the Government has itself created several unwarranted wage differentials through its *ad hoc* decisions.[75]

In real terms, after taking into account the fall in the purchasing power of the rupee, the highest paid Government official earned in 1981 about half of what he earned in 1973. The inflationary forces had nearly halved the value of the rupee in just eight years. For an official paid Rs 3,500 a month in 1973, earnings had been raised to just Rs 4,100 a month in 1981 by modest increases in dearness allowance payments, but their value came to just Rs 1,888.13, giving a massive 46 per cent fall. The Government officials who were paid a monthly salary of Rs 2,750 in 1978 received Rs 2,890 in 1981 but its real value worked out to just Rs 1,330.90, showing a big fall of 40.8 per cent. The Government employees paid Rs 1,100 a month in 1973 had their salaries raised to Rs 1,500 but the real value worked out to a mere Rs 828.94, recording a decline of 24.6 per cent. Only those service-holders' families were in a comfortable position, which had either some additional source of income (which did not exclude "under the table" income) or in which both wife and husband earned and which were not large in size and did not have to shoulder the liability of typical joint Indian families. The standard of living of other families had definitely gone down substantially. Since the prices of the basic food articles had kept rising and since their consumption had to be maintained as a biological necessity, in conformity with the Giffen Law, the consumption of superior goods and superior varieties of goods, which included nutritive food items, as also of delicacies, had dwindled.[76] These families had increasingly shied away from

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their customary hospitality to even their closest relations. The old parents and needy relations were cared for less. The feeling of satiety with their existing diet, the variety of which had diminished, had grown. They had a Hobson's choice. In several cases their integrity was under severe strain. The ant and the elephant both felt hurt in their respective legs by the brunt of unrelenting inflation, thereby elucidating the sagacious statement of Marshall that "on the whole, however, it happens that by far the greater number of the events with which economics deals, affects in about equal proportions all the different classes of society."[77] The finances of countless families were further ravaged by accidental losses and illnesses and litigations.

The lowest paid employees were relatively less affected. Those paid Rs 425 a month in 1973 got Rs 781.70 in 1981, which came to Rs 359.99 in real terms, registering a dent of 15.3 per cent. Those paid Rs 196 a month in 1973 received Rs 395.60 in 1981 or Rs 182.18 in real terms, facing a decrease of just 7 per cent.* In point of fact, those of the lowest grades had never handled so much cash nor enjoyed so heavily subsidised goods and services** in their lives 10 to 15 years ago. Again, those of their families in which both wife and husband earned were comparatively better off, and the feeling of betterment had gone into their heads, and, in conjunction with the political pampering, it had inserted rudeness in their manners with regard to those occupying higher stations in life.

The public authorities talked only of containing inflation and providing stand-bys and hedges against it, but not of eradicating it. Inflationless economic growth had become a will-o'-the-wisp, to be chased for ever but never to be caught. Being a planned economy, the Indian economy was regulated by both prices and non-prices, that is, by the unconscious, automatic price mechanism *plus* the conscious, deliberate state mechanism (i.e., grants, commands, coercion, etc.) *plus* the conscious, deliberate private mechanism (i.e., corruption, coercion, black-money, etc.). For taming prices and leaning against the wind of inflation the traditional arsenal of measures encompassed instruments of monetary policy. The over-hang of excessive primary money creation in 1978-79 and 1979-80 and the steep decline in foreign exchange reserves lent a sharper edge to the need for controlling monetary expansion in 1980-81. The broad strategy of monetary policy in 1980-81 continued to be structured around the decelration of money and credit growth to rates commensurate with increases in real income. For 1980-81 the deposit growth rate was substantially higher than in 1979-80. The rise in aggregate deposits amounted to Rs 6,807 crores or 20.4 per cent, as compared with an increase of Rs 4,706 crores or 16.4 per cent in 1979-80. This was attributable primarily to the relatively higher increase in real income and secondarily to sizable primary money creation. The fact that long-term,

* Based on a report published in the *Statesman*, Delhi, 28.11.81.

**On this see the author's other work, *The Strategy of Industrial Dispersal And Decentralized Development . . .*, S. Chand & Co., Patna-800004, Appendix to Chapter 10.

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double-benefit fixed deposits by individuals fructified due to compounding of interest was also there. This resulted from the voluntary decisions of the individuals themselves. But many had to deposit compulsorily a part of their annual income with their banks for a term.[78] The expansion in non-food credit was also much larger (Rs 4,529 crores or 23 per cent), as compared with Rs 2,967 crores or 17.8 per cent in 1979-80.

The cost of distribution of wheat through the *public distribution system* was, on an average, 87.2 per cent of the price received by its growers in 1982, according to an estimate made by B.P. Singh (*Statesman*, Delhi, 19.2.82). The Government had considered originally even a margin of 20 to 25 per cent as exorbitant. The high margin was largely due to the preponderance of middle-men. Five transfers of stocks usually took place—three during the procurement process (from the growers to the *kachcha aarhtiya*, to the State Government agency and then to the FCI) and two during the distribution process from the FCI's godowns to the State Governments and then to the Fair Price Shop dealers (who charged 7.7 to 14.6 per cent of the issue price). In between these transfers the stock had to be moved from the food surplus areas to deficit areas of the country. Each transfer involved transport and handling costs, in addition to adulteration and pilferage. The procurement and distribution costs of the State Governments amounted to from 14.6 to 29.4 per cent of the issue price. These Governments extorted as much as practicable in the form of commission and taxes.

Between 1970-71 and 1978-79 the profit margin of the wheat growers had come down from more than 50 per cent to less than 7 per cent, according to Singh.

The entire quantity of foodgrains distributed by the public distribution system sufficed to meet the consumer needs of only 72 million people in 1982, which was no more than 10.5 per cent of the country's total population. No more than 45 per cent of the total urban consumer demand was met by the system. The rest had to rely on the free and open market. The credit for the management of the 1979-80 crisis goes to the maintenance of a large foodgrain buffer-stock rather than to the public distribution system, the operation cost of which accounts chiefly for the huge food subsidy every year.

Supply management by the Government has incorporated punitive action under the Essential Commodities Act against erring traders, hoarders and smugglers. "No traders are more unscrupulous in taking advantage of the necessities of the unfortunate than the corn-dealers and money-lenders of the East" (Marshall). The opportunities for knavery like adulteration are certainly more numerous now than they were before. Production of adulterants has become an industry in itself[79]. In contravention of the Prevention of Food Adulteration Act, 1954 non-permitted colours are used for adulteration of food stuffs and drinks in an alarming way. The averag

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Indian is poor and he can neither be finicky nor fastidious in his daily purchases. He needs protection from the relevant authorities for this very reason. Monitored capitalism cant' be relied up on.

There is a black-market everywhere. If one is prepared to pay more than the fixed price, one may get the controlled scarce goods (not otherwise available in the open market) delivered to one by the sellers at mutually settled places. If one is ready to pay more than fixed charges, one can get theatre tickets even if the "house is full" or berths in trains even if there are no vacancies left in the official registers. And *ad infinitum*. Alternatively, we may seek the politicians' recommendations.

But it would be being unfair to a large number of the Indian traders if we did not point out that they belong to the lower middle class and their standard of living is low and that the margins on which they operate are lower than the handling costs of our public distribution system in a good many cases. Hence, they have to be treated by the public authorities with sympathy and understanding. On the authority of Keynes, "Businessmen have a different set of delusions from politicians; and need, therefore, different handling. They are, however, much milder than politicians. It is a mistake to think that they are more *immoral* than politicians. If you work them into the surly, obstinate, terrified mood, of which domestic animals, wrongly handled, are so capable, the nation's burden will not get carried to market; and in the end public opinion will veer their way".

Citizen's Councils and Consumers' Forums should be organised in every city and every block to oppose hoarding, profiteering, blackmarketing[80] and adulteration by private traders as well as racketeering at places in the grain supplied through the public distribution system. Unpurchased ration grain is moved to the open market and subsequently sold at a higher price. The Civil Supplies Department of the State Governments is not prompt in examining the actual off-take of grain from the ration shops and keeps on supplying each shop the quantity due on the cards registered with it. Its unsold stocks go to the open market or its owner has a separate shop for the purpose. Those who cannot see the wood for the trees fail to appreciate that "black-marketing by middlemen and traders is bad enough but that by the government agencies is much worse."

The Centre generally scoffs at the State which enters into bilateral agreements with other States for the supply of foodgrain "out of stocks procured under levy or price support operations at negotiated prices". The Centre's plea is that such a diversion of grain adversely affects the policy of equitable distribution of surplus grain at fair prices through the public distribution system. It is for this reason that the States are instructed to strictly adhere to the national food policy and surrender their surplus stocks to the Central pool.

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In 1981 the Centre asked the paddy-growing States to formulate draft levy orders to maximise the procurement of rice from the Central pool from the millers and wholesalers consistent with the need to maintain open market availability and stability of the price of rice. A levy was to be imposed on paddy moved out of a State with a view to guarding against the possibility of paddy coming to markets being bought and moved out of the State by private traders in order to frustrate the State's procurement efforts. Notwithstanding this, in an unjaundiced estimate, the *faus pas* experienced in the procurement of the staple foodgrains is too well-known.

Insofar as our Plans have tended to be "over-ambitious" instead of being "realistic," having been based on the thesis that "progress is possible only when we stretch our efforts and abilities almost to the point of breaking" (see Prime Minister Mrs Indira Gandhi's *Foreword* to the Fifth Five-Year Plan), the burden of *taxation* put on the people has increased incessantly. The relatively poor and the less rich have borne the bulk of this growing burden and have been squeezed because the more rich have evaded it. Only about 3 million persons are assessed to income-tax. 55 per cent of the indirect tax revenue in 1973-74 came from households with a monthly per capita expenditure of Rs 100 or less. In 1977-78, 80 per cent of the total tax revenue came from indirect taxes and 60 per cent of excises were borne by those whose per capita consumption was less than Rs 100 per month at 1963-64 prices[81]. Excise cuts were not always reflected in the retail prices. The middle class was the hardest hit by inflation without obtaining adequate tax relief, although of all classes in society it was the most vociferous and vocal in airing its grievances. The salaried class was soaked and milched constantly more. The additional burden shouldered by the users of the power, postal and telegraphic, railway and other transport services due to increase in their tariffs, fees, fares, freights, etc., continuously rose. The steep increases[82] in them on the basis of improvised explanations of rising cost of their supply were twice-cursed because they hit both the private consumers and the Government (State or Central) by raising the costs of its administration and supply of its products and sparked off a chain reaction and a snow-balling effect. Speaking roughly, our present political economy is not of the Smithian brand, which aimed at enriching the people and their sovereign together, but instead of a different type, which seeks to enrich the Government and certain sections of the people by impoverishing other sections[83]. Its obsession with the distributive (equity) problem, out of step with its concern for the allocative (efficiency) problem, is a part diagnosis of why the economy is entrapped by crises. The taxers are not like the bees which, while collecting honey from the trees, do not hurt them.

We do not have in India the system (which prevails in Denmark, the Netherlands, Canada and Australia) of automatic indexing of exemption limits and other tax reliefs by reference to the rate of inflation. According to Palkhivala, we are experiencing "a fiscal

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drag" where, even after tax reliefs, the citizen is worse off than before because the reliefs are devoured by inflation. It is essential that all monetary limits and ceilings of exemptions incorporated in the direct tax laws be reviewed for raising them to realistic levels in the context of the eroded value of the rupee. To induce the growth of private savings and to reduce tax evasion, the rate of interest on bank deposits as well as the income-tax exemption limits on the total amount of interest earned, and the wealth tax exemption limit should be raised and the salaried class should be treated preferentially in this regard. The self-employed persons should not be compelled to seek redress in increased tax evasion and avoidance. The complexity of our tax laws is beyond belief. In the words of Palkhivala, "It has degenerated into a system of traps which ensnare the honest and the dishonest alike...The small and the innocent are caught in the tax net, while, despite all the over-kill, the sharks swim freely in the vast ocean of unaccounted money". Our tax system digs deep into high incomes with a sieve !

The velocity of generation of black money in India is very high. Black income is generated in the country at the rate of nearly Rs 1.50 crores per hour round-the-clock in its gray-market and underground transactions or Rs 13,000 crores a year, according to an estimate. "Countless traders, shop-keepers and self-employed persons so arrange their affairs and so keep their books that the high marginal rates remain uncollectable and uncollected". Successful as the Special Bearer Act of 1981 might have been in mopping up the stipulated amount of black money in the economy or "laundering" it into white money, yet from the ethical point of view it did not put "a premium on dishonesty without even a justification of necessity".

Certain economists (e.g., Natarajan) have shown that Laffer's Law (i.e., the lower the tax rate, the higher the collection, and vice-versa) works in India because as a result of tax cuts in some of the previous budgets , the yield of taxes far exceeded the targets. On the contrary, other economists (Gupta and Kabra) show that reduced income-tax rates have resulted in proportionally lower increments in tax collection and proportionally higher increments in tax evasion. The increments in income-tax revenue have been more from the broadening of the tax-base and less from improvements in tax collection. Tax evasion has grown in magnitude. The empirical evidence on this issue is thus conflicting and vague. More study is necessary to find out if heavy corporate taxation really hampers the growth of companies, distorts their debt-equity ratio, makes them extravagant, erodes their integrity and aggravates inflation by shifting the tax-burden to the customers.

Over two hundred years ago Adam Smith wrote that nations might never be ruined by private, though sometimes might be by "public prodigality and misconduct"[84]. In India the authorities have remained deaf to the counsels of moderation in their pursuit of inflationary financial methods. For years the unbalanced budget has

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been lifted to the status of a fiscal ideal or theology. 'Animal spirits' —a spontaneous urge to action rather than inaction—of the private entrepreneurs, as portrayed by Keynes, seem to be haunting the Government both at the Centre and in the States. Lately, almost monotonously, the Planning Commission has carried the refrain of balance to counteract "the profligacy of the States".[85]

In some States a very large percentage of their total revenue is disbursed on administration.[86] An enormous sum is spent on the T.A. and D.A. of the "foot-loose" ministers and their staff who, neglecting their work at home, shuttle between Delhi and the State capitals most of the time (one purpose being to greet and to wish, and to display their obsequiousness to the V.I. P.'s like the Prime Minister on occasions like birth-day anniversary, foreign visit and return therefrom) as well as between Delhi/State capitals and their constituencies. The "red-carpet receptions" to the V.I. P.'s like the Prime Minister by the State Governments on visit to any place within the States cost them several lakhs a year. Mammoth conferences in food-scarce and low-income areas with great pomp and show act like grist to the mill of inflation.

Huge outlays on the many conferences, workshops, seminars and symposia held every year in various parts of the country provide few solutions to our impending problems and contribute pretty little to the advancement of our knowledge. Their major contribution is towards arranging get-togethers between certain groups of people for negotiating deals of give-and-take. Enormous foreign exchange is spent on the foreign travels of the resourceful and manipulative scholars serving universities and institutes, who attend international conferences on their own initiative, thereby dissipating the limited resources of their institutions and of the country, the international associations not sharing these expenses. They stay away from their duties for weeks (while a fortnight would suffice) and some have their learned papers published in local dailies. Considerable resources are wasted on the award of grants-in-aid to still-born research projects (or projects on the same subject or the same aspect of it), on fellowships and scholarships, which achieve little. Funds meant for field studies are misspent on pleasure trips (including those abroad). Highly scholarly books and learned journals as well as sophisticated equipments worth several crores of rupees lie unused as evidence of our acts of stock-piling in many universities and institutes (some of the latter being but white elephants, perpetuating the hallowed memories of certain party or caste leaders but outshining the university departments in the enjoyment of opportunities because of the state patronage)—without provision of maintenance costs in many cases. The governing principle that those which can spend more will receive more (sky being the only limit in their case) has encouraged squandering of the funds sanctioned and given an impetus to the "March loot". Little has been done to realise the fullest possible value from every rupee spent. Spoon-feeding of industries in under-

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developed regions by the state has aggravated inflation. The so-called autonomous institutions (for ex., the universities), dependent to the extent of 80 per cent of their total budget on the Government, have been most reckless in the husbanding of their funds, the audit of their accounts being very irregular and perfunctory (persons, who handled lakhs of rupees on their various activities and made payments in cash having enriched themselves in the process, and retired without submitting utilization certificates). In several universities there has developed in recent years a virtual racket in the funds sanctioned by the U.G.C. and the Government for the award of individual research grants and publication grants, many of which have gone to undeserving and unscrupulous persons, who have spent them on acquiring fixed deposits in their names or on unproductive purposes. The authorities have adopted the devil-may-care attitude. "Ill-begotten, ill-spent". On the other hand, many deserving and scrupulous ones have got elbowed out and left to fend for themselves, receiving a raw deal at their hands. A large number of the U.G.C. (and other bodies like the ICAR, CISR, ICSSR, etc.) research fellowships have gone to those who have not fulfilled even the essential minimum qualification of a consistently good academic career, and have been held by several of them who have not been able to accomplish their task despite their topics of research being grossly stereotyped and some of them who have held them for months even after obtaining the degrees for which the fellowships were meant, thereby keeping the other needy and meritorious candidates off research. All this has transpired with the collusion of the office staff and because of the absence of regular inspection and audit by the donors. Some recipients of the fellowships have accepted jobs, part-time or full-time, while others have tapped other sources of assistance and loans at the same time and led an easy life, producing no thesis and dropping out quietly in the end.

We are aping blindly the affluent economies[87] beyond our means and capacity because we are fascinated by their way of life. "Ethnocentricity" has led inevitably to the conclusion that the way to achieve in India the levels of capital formation, productivity and consumption, comparable to those in developed countries, is to duplicate their highly articulated institutions" (Hoselitz). If at the existing level of our economic development and the existing per capita income, saving and investment, we strive to have the same *expenditure* pattern, the same proportions among wages/salaries and profits in different occupations, the same hierarchy and network of systems, institutions and public services as the richest countries have at their present level of economic development, then such indiscriminate imitation must prove extremely expensive to us. Even now the country is laden with quite a number of expensive and unproductive show-pieces of its own choosing. Many a foreign agency has been exceedingly liberal in sanctioning lavish funds to the institutes and centres set up in the different parts of our country for purposes of research, training, etc., as sponsored or endorsed by them, with or without matching grants

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from our own Government, State or Central. Whether or not they have been really needed by us is a separate question. But by promoting an atmosphere of unconcern and freedom from care and thereby encouraging prodigality and unaustere ways in the matter of spending, they have certainly made us reckless with our own limited resources. It would be worthwhile basing all our investments from our resources and from foreign resources and of all types on a cost-benefit analysis, project budgeting and audit as well as performance budgeting and audit.

The yawning gap between the fiscal requirements of the States and the resources available to them has put them under the continuous surveillance of the Centre on which they have helplessly relied for covering their deficits, which have often tended to jettison their schemes. The Planning Commission has been ceaselessly preaching to them to practise prudent financial management.[88] It was perhaps against this background that in his speech delivered in New Delhi at the Institute of Public Administration in January 1982, Sir John Hicks considered it quite natural to look upon the functioning of the Government of India, as far as its economic policy went, as a sort of the United Nations handing out aid or loans to the different States, which were its members. He remarked, "Studies comparing the economic development in different States of India read very much like studies of economic development of different countries and perhaps it would be useful to study India as a sort of a common market of its States." In 1981, for the first time, the Prime Minister initiated an inspection of the Plan administration of the States. The members of the Planning Commission and top Government of India officials were deputed to visit the States and to confer with their administrations on their imminent issues pertaining to their Plans as well as other ones. On the other hand, in certain circles more autonomy was pleaded for the States on the count that "a Central authority cannot claim greater competence, wisdom and objectivity or greater immunity from extraneous influence". Hence, "inept administration at the State level cannot be remedied by arrogation to itself of more powers by the Centre". "There is more to good management of a federal polity than issuing peremptory directives from a distance and securing compliance with them." The States are not mere buffers for the Centre even in their own subjects.

According to a report released in 1982 by the National Institute of Urban Affairs, in 1969-70 the tax revenue accounted for nearly 80 per cent of the total income of *local bodies* in India. A decade later in 1979-80 this percentage fell down to 72. House or property tax constituted nearly 25 per cent of their total tax revenue and octroi 39 per cent of it. These two were major sources of their income. The former was not a complusory item of taxation in all States. Only service charges were levied on the Central Government properties. Octroi had proved highly elastic. Although a policy decision to abolish it had been taken, it had not been acted upon by

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all States because its substitute had not been found. Water tax constituted nearly 22 per cent of total tax revenue. Hence, it was also a major source.

Periodical revision of the property tax had not been done because of various constraints. Rent control had degenerated into a severe abuse. It was circumvented by lump-sum premia called "pagari", tenancies given in the form of licence, unreceipted rents, etc. None of these additional payments yielded any revenue to the State Governments or to the local bodies. Where additional rents could not be charged, landlords permitted the buildings to fall to pieces. This accounted for structural degradation in most cities.

We would like to wind up this section, with a quotation from Robinson and Eatwell, "Every fiscal system is necessarily a compromise between expediency and principle....(It) is influenced partly by traditional notions of what is acceptable, and partly by the interest of the classes from which it draws support. There are no purely economic aspects of government policy that can be fenced off from wider social and political problems and discussed in terms of strictly economic considerations alone." We are strongly of the opinion that if those in the government cannot spend the money raised increasingly from the private persons well, then they had better leave it with the latter 'to fructify in their pockets as ripening cheese', on Dalton's authority.

India's share in the world output fell from 2.1 per cent in 1950 to 1.3 per cent in 1975. Its share in the world industrial output shrank from 1.0 per cent in 1950 to 0.8 per cent in 1981. In 1951 its share in the world trade was nearly 2 per cent; in 1981 it was less than 1.0 per cent. In 1951 its per capita income was one-eighth of the world average; in 1981 it was one-twelfth.

Luxury items comprise an insignificant part of our total import bill at present. *Imports* of wheat, edible oils, sugar, cement, etc., are a part of our supply management policy. Between 1973 and 1976, 22 million tonnes of wheat had been imported, which led to a higher buffer-stock in the country. 2.26 million tonnes of wheat valued at Rs 330 crores were imported in 1981-82 from the USA and Australia. In 1981 sugar imports from Britain amounted to 2,15,000 tonnes, valued at Rs Rs 105 crores. The import bill of oil-seeds amounted to 17 crores in 1975-76, Rs 118 crores in 1976-77, Rs 738 crores in 1977-78, Rs 552 crores in 1978-79 and Rs 750 crores in 1979-80. In 1981, 7,36,000 tonnes of edible oils were bought from the spot markets in the USA, Brazil, Europe, Canada and Malaysia costing Rs 328 crores. 1,455 million tonnes of cement worth Rs 77 crores were imported from North and South Korea, Taiwan and the Philippines in 1981. The import bill of oil involved an expenditure of Rs 1,677 crores in 1978-79 and Rs 5,600 crores in 1979-80.

In 1980-81 India had to import about 16 million tonnes of crude oil. The way we are consuming crude and petroleum products

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without a plan to subsitute cheaper fuels for costly ones is a form of "inexcusable profligacy". Our oil requirement would not only keep growing but also the gap between demand and domestic output would keep widening in the 1980's and beyond.[87] The exchange needed for an increasing amount of oil imports would be unmanageable. So far as the question of optimal exploitation of available indigenous energy resources is concerned, it could be possible only through capital flows from the industrialised and capital-surplus oil-exporting countries. But the international aid climate has altered for the worse. Moreover, the oil industry is highly capital-intensive and the risk to reward ratio keeps rising as one moves to less favourable areas.

The Government's decision to import foodgrains in 1981 was regarded by some economists as "a hedge against the likely shortages of foodgrains and inflationary pressures". But this, nonetheless, highlighted "the inefficiency of the procurement machinery and the Government's unrealistic price policy". Apart from this, it was bound to have a disincentive effect on the pace of agricultural growth in the country. In August 1982 American wheat (2·5 million tons) costing Rs 500 crores foreign exchange was purchased for the second consecutive year.

The imports of goods like cement and fertilizers, the production units of which were laid up with unutilized capacity, went against the principle of comparative cost advantage.

India is stated to have a comparative advantage in the production of rice, which sold in the international markets in 1981 at Rs 3,000 per tonne against Rs 2,000 in the domestic market. But when rice and wheat are substitutes, it would look incongruous if wheat is imported and rice is exported, unless rice *exports* pay for wheat imports. Again, Pakistani *basmati* rice fetches a higher price in the foreign markets than its Indian counterpart.

India exported sugar under the International Sugar Agreement. It exported edible oils to the Islamic countries of West Asia and African countries. Onions were exported, whilst the domestic consumers paid very high prices for them. More or less similar was the situation in respect of meat, fish and fruits.

The country faced a slump in the international jute market and increased competition from other tea-producing countriess. Export of tea totalled 230 million kg. in 1980.[90] Exports of items like marine products, gems and jewellery and engineering goods[91] showed a substantial rise.

The reputation[92] of our exports in the international markets has, of late, sharply sagged. "Where India was until quite recently known as one of the developing nations which maintained a reasonably high standard of probity in its international commercial dealings, it seems that it has now joined the ranks of many others where unethical business practices are known to operate". The episodes of exports of

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contaminated prawns and surgical dressings and electrical plugs are too fresh in our memory to need any detailed allusion. Should a "consortium approach" to win orders and to improve the quality of exports be adopted by the exporters of goods, that would help the country regain its lost prestige. One further suggestion is that joint ventures in third countries and complementary production units in India be set up for exports.

Book piracy by the Indian firms was on the increase and constituted an important segment of the parallel economy.

At the end of 1980-81 India's outstanding *external debt* amounted to Rs 11,316 crores. The proportion of our external debt to our national income was 11 per cent. Our debt service liability amounted to Rs 714 crores. Internal debt was Rs 29,008 crores and interest on it was Rs 1,365 crores. In November 1981 private foreign investment in India was estimated at Rs 25,000 crores.

India welcomed foreign investment as "an instrument or vehicle for the *transfer of technology*". During the past 30 years over 6,500 collaboration agreements had been approved of by the Government. Many of these involved foreign equity investment. The Indian capitalists had come to terms with foreign monopolists through collaboration of different types—technical, financial and commercial. About 1,000 foreign firms from the USA, UK, West Germany, France, Switzerland and other European countries as well as Japan had made investments or entered into licence arrangements for the transfer of technology. While the foreign investment policy was linked with the inflow of foreign technology, this had been modified in the case of oil-exporting developing countries. Foreign investment had necessarily to be on a selective basis. India's requirements had changed over the years. In the earlier stages of the country's development, foreign technology was required even for consumer goods. Later, emphasis shifted to intermediate products and capital goods. As indigenous capabilities were further developed, India began to import more sophisticated or advanced technology. India still needs foreign technology either for updating its existing technology or for the manufacture of new products and adaptation of new processes, particularly in the energy sector.

An area of particular interest from the point of view of foreign investment is the export sector for which India offers tremendous advances and incentives. Foreign investment is also needed for the public sector, which is, in fact, set up with foreign collaboration. Foreign technology may be required by some of the existing units as well as the new units which are being planned. The development of the public sector would lead to the creation of a number of downstream industries for investment by the private sector and this would require the import of foreign technology and foreign investment.

India had a unique record of honouring international obligations, particularly in respect of repatriation of royalties and engineering

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fees. Returns from foreign investment have been good. To illustrate, a study of 30 US companies in India has demonstrated that net profit after tax as a proportion of net worth that was nearly 20 per cent in 1980. In 1980 alone, the Government approved of as many as 526 foreign collaborations, the highest in a single year since Independence. Another 168 foreign collaboration agreements, 25 with foreign equity participation, were approved of in the first six months of 1981.

In the 1960's net *foreign aid* amounted to over 30 per cent of the Plan expenditure in India and helped it to finance over 37 per cent of its imports. In the 1970's these figures had come down to 11 per cent of the Plan outlay and 18 per cent of the imports in the Fifth Plan. The diminishing percentage of the role of aid indicated the progress made by India in the manufacture of a large range of machinery, development of consultancy and project implementation services. The uncertainty as to foreign aid that gripped the planners in 1981 definitely made the task of project formulation in some key sectors (under the Sixth Plan), dependent on external finance, immensely difficult. The country's foreign exchange reserve had, by that time, declined much below the safety limit of about Rs 4,000 crores, estimated earlier, by the authors of the Sixth Plan. The Government's role in the *growth of remittances*[93] from Indians abroad by inducing emigration of manpower was minimal either in terms of promotional efforts or of financial subsidies, though some incentives were given for bringing in the funds through official channels. The concessions contained in the 1982-83 budget were an improvement over the past attitude of the Government.

The loan of SDR 5 billion—the equivalent of 15.8 billion at the ruling exchange rates—extended to India in November 1981 was the largest ever loan advanced by the IMF to any member nation in its history. The advance of this loan generated much heat and the arguments on both sides betrayed a lack of empirical evidence and quantitative analysis. The loan spanned a period of three years from 1981 to 1984. SDR 0.9 billion was to be made available in the first year; SDR 1.8 billion in the second; and SDR 2.3 billion in the third. Each successive phase of the loan was to become effective on the meeting of the conditions of the preceding phase to the Fund's satisfaction. India would thus obtain the equivalent of about Rs 5,200 crores (at 1981 exchange rates) in instalments if it were able to keep the Fund satisfied by fulfilling the specific conditions in the agreement with regard to both policy and performance.

The critics of the *IMF 1981 November loan* argued that it imposed tough conditions. India's prerogative to formulate its economic policies and prescriptions to cure its economic ills might be seriously circumscribed because of these conditions. For example, during the loan disbursement period India would have no right to enter into any bilateral trade agreement with certain countries without the prior concurrence of the Fund. Likewise, other external borrowings

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by India during this period would be subject to a ceiling set by the Fund. This bar fettered its ability to diversify its trade away from the advanced capitalist countries precisely at a time when such a diversification was urgently needed in view of protectionism and recession in those countries.

By prescribing a ceiling of the kind the IMF limited "the option of commercial borrowing" and ensured for itself "a monopoly position" as a lender (together, of course, with the World Bank) so that India remained a "tied client".

By its meek responses to external suggestions or "dictates" the Government of India had "virtually mortgaged the country's economic independence and given up economic self-reliance" precedent to the sanction of the loan. Some terms of the loan, such as the enlarged scope for private investments, greater foreign collaboration and freer imports of technology clashed with the country's erstwhile Plan ideology of self-reliance and non-dependence on capitalist countries and necessitated economic readjustments with them. Besides, the dictated conditions eliminated the need for independent thinking and initiative. Even prior to the final loan settlement the Government had been a convert to most of the views held by the IMF on its certain pragmatic economic policies, such as reduction of subsidies wherever possible, incentive prices for producers, control of money supply, relaxation of controls and encouragement to private investments. Consequent upon the loan, the Indian national policies during 1981-83, accepted by Parliament, would not exclude from the consultation process any policies which the Fund considered compatible with the fulfilment of the objectives of the programme. The Fund did not wish to be denied "its right to shape policies by the existence of a Parliament."

Some critics held that the balance of payments situation[91] in 1981 was not of such a crucial or critical order as to justify the rush for the loan "at the cost of compromising the national right of self-determination of economic policies". According to them, the situation had been far worse in the mid-sixties and the early seventies. By self-imposed economic discipline the country could promote stabilisation and recovery in the domestic sphere and achieve external balance.

It was further contended that the principle of self-reliance had been thrown to the winds even as the engineering services and facilities were available in the country. The import content rather than the indigenous content of the projects was to be maximised. Instances were the construction of a 3 million tonne steel plant at Paradip and import of heavy shoves for coal mines. Thus India had slowly conditioned itself to the idea of subordinating its once-cherished ideal of self-reliance.

The antagonists opined that the stress on imported modern agrarian technology (e.g., chemical fertilizers, insecticides, etc.) and

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curtailment of subsidies on it would worsen the existing distribution of income and wealth in the country. They also feared that advance of credit to the small producers in agriculture and industry would contract.

The alarmists warned that the debt service burden of the new drawing would be enormous. About 48 per cent of the drawing would be financed from the Fund's own resources and would carry an interest of between 6 and 8 per cent. The remaining 52 per cent would be borrowed by the Fund from Saudi Arabia and in that case the interest rate might be 12 to 15 per cent. Even if the average interest rate were 9 per cent, India's annual debt service burden would increase by about Rs 450 to 500 crores. If the principal had to be paid in 10 years, beginning from the fourth year, the annual repayments burden would be more than Rs 1,000 crores, although the interest payments would fall off over time. The proportion of our external debt to national income would rise to 15 per cent. The mix between commercial and Fund credit during the early phase of the loan agreement would be determined by the Fund rather than by the Government of India. India would not be in a position to repay the loan by borrowing from commercial banks. The Fund would do the "policing" for them.

Were the commercial borrowing already in the pipe-line to be added, our debt servicing burden would become enormous. This might force us to borrow simply to service our earlier debts. Our indebtedness would rise. Our foreign exchange reserves were already declining rapidly. To the extent that our exports remained singularly sluggish despite liberalisation because the restrictions imposed by foreign countries were not revoked, the purpose of the loan to cure the structural drawback in the balance of payments situation would prove illusory and get exacerbated. With the Indian economy under "the hawk-eyed surveillance" of the Fund, the Indian Government would face the challenging task of taking it on to the path of real growth at a time when the international environment was distinctly unfavouraple. India was supposed to pursue the policy of export promotion with the help of foreign technology and capital. This opened the door wider for transnational corporations, which did contribute to a country's net foreign exchange earnings; rather they caused a net drainage through repatriation of profits, technical fees, royalties, etc.

India would be caught up in "a debt-trap of continuously having to borrow, of having to borrow larger and larger amounts to meet debt-servicing, of being unable to take other corrective action like import controls owing to pressure from the lenders, and of experiencing a widening payments gap owing to growing outflow through multi-national companies and larger imports".

On the contrary, the optimists maintained that if the rate of growth of the Indian economy turned out to be satisfactory in the years to come and, in particular, if the export performance picked up

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to such an extent that the rate of growth of trade balance exceeded the debt of growth of debt repayments, there was no reason why the debt servicing should become a drag on the economy.

Another misgiving expressed by the pessimists was that such a massive loan would make the Government complacent about everything and would deflect it from the hard decisions and bold measures that the economy really required. Already, our utilization of borrowed foreign capital in the past had not been efficient.

Certain other critical sections of the Indian community pointed out that "to beg, borrow and steal"[95] had been the motto of the desperate, the helpless and the idlers in the past; in our time it was a tool in the hands of the black-mailers and demoralisers in international politics to compel the other parties to acquiesce in yielding their exacting demands. India could not therefore be proud of being the world's biggest beggar[96] or borrower.

Although the element of exaggeration in the above-mentioned views cannot be gainsaid, yet scepticism, whatever its degree, on these aspects was not unreasonable or unfounded. The neutralists considered it imprudent and injudicious to blame the IMF for the terms and conditions of the loan. The opponents could not prove that they had been made specially harsher and more stringent for India alone. "Conditionality" was the very characteristic of all loans of the Fund other than the reserve tranche loans approved of by it, and was made "specifically with a view to preventing the loan itself leading to an expansion of credit and money supply in the loan-receiving country from internal or external sources". Restriction of soft loans to the poor countries was intended to enable them to graduate to the higher levels of income.

The defenders of the loan laboured the point that the interest rate on the IMF component of the loan (48 per cent) was 5 per cent and that on its borrowed component (52 per cent) was less than 15 per cent. On the other hand, the ruling interest rate in the international capital markets was almost 20 per cent. Hence, the loan was an attractive proposition in their view (though superficial). But all the same, growing external indebtedness of India was a matter of grave concern.

In a study Brahmananda has disintered how our balance of payments crisis from 1980-81 onwards was aggravated by (a) keeping domestic interest rates lower than foreign rates by merely 5 per cent points, (b) augmenting credit and money supplies at home at rates more than 10 percentage points above real output growth rates, (c) encouraging inappropriate and wasteful consumption of scarce materials and inputs, and (d) not taking needed strong steps to reverse inflation rates, and to reduce the sphere of the parallel monetary and financial system. The excessive liberalisation in 1976-77 of the import policy and its continuance in greater intensity proved "a millstone round India's neck in its journey to the balance of payments predicament".

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In 1981 the Indian Government calculated that the country's deficit in the current account balance of payments worked out to an average of $ 3,000 million in each of the next three years. It believed that the massive 5 billion SDR loan from the IMF would help the economy to reach a sustainable position by 1984-85 to enable servicing and repayments of the loan without much strain. Some terms of the loan, such as the limits indicated or implied for credit to the Government sector, deficit financing and money supply, and non-concessional commercial borrowing abroad accepted in response to suggestions from outside restrictive or harsh as they were, were yet imperative to shore up and to stabilize the economy and to set it on the path of non-inflationary growth.

Undue increases in the debt servicing burden could be avoided by making foreign loans self-liquidating by means of securing economic rates of return that were equal at least to the rates of interest paid on them. The mad rush for indiscriminate imports must stop. Dependence on imported technology should be curtailed. Domestic excess capacities must be harnessed. Wasteful disbursal of cash assistance and other incentive schemes to exporters must stop. Food subsidies must be chopped. The rate of increase in net bank credit to the Government must decline sharply. Effective measures must be taken to curb and contain the growth of wasteful consumption of petroleum products.

In fine, the optimists like Datta contended that India could draw on its gold stocks worth Rs 4,500 crores (at international prices of 1981) for repaying the loan in case it got into difficulty otherwise.

We have now reached the fag-end of our critique of the economic realities of the Indian drama of democratic planning. The Indian Government has lately pleaded the *alibis* of problems like poverty, unemployment, inflation and corruption, which have dogged the country for years, as global phenomena. But it is plain that this attitude would get neither the Government nor the people anywhere. However, we must guard ourselves against the temptation on the part of the opponents of the Government "to overstate the economic evils of our own age, and to ignore the existence of similar and worse evils in earlier ages", for this "impatient insecurity" is an evil only less great than "moral torpor", to quote Marshall's words. Unfounded cynicism and pessimism may be "close to crime", as Mrs Indira Gandhi held. On this view, the authors of the "Dismal Science" would be bracketed with the criminals. In order that the masses are not misled into unnecessary cynicism and pessimism they, especially the inferior, ranks among them who are uneducated, must be educated. The literate people will be less liable to "the delusions of enthusiasm and superstition" which frequently occasion "the most dreadful disorders", will be "more disposed to examine, and more capable of seeing through the interested complaints of faction and sedition" and "less apt to be misled into any wanton or unnecessary opposition to the measures of government" (A. Smith).

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The processes of taking major decisions in this country have been painfully slow in both political and economic matters. Throughout the three decades (with short breaks in certain States) during which the Congress Party has been in power, its leaders have never tired of stressing the need for speedy implementation of its economic programmes and hypothesizing that if the programmes were effectively implemented and implemented in right earnest[97], many of our problems would find solution. This has amounted to the tacit admission by them that it had not hitherto been effectively implemented. And three decades is not a short period. From this it might be inferred that the country has not had the right type of men to plan. Also, our *planning* has failed so far to kindle a greater thrust. Its framework does not appear to have been conceived of independently. It appears to have evolved as a patch-work from a series of programmes, viz., anti-famine, public works and rural reconstruction, executed in the pre-Independence days. In execution each sectoral programme has got treated as if it were independent of other similar programmes, not as if it were an integral part of the total plan so that its goals were reached by the joint and simultaneous efforts of all sectors. The different departments often behave as rivals, not as partners. Furthermore, our planning ideas, techniques and modalities are not our own or of our own forging. They are lock, stock and barrel exotic, and partly for this reason too they have not still struck roots in our economic system. Aside from this, it is doubtful if it has been really democratic. Finer's remark is relevant, "The character of planning by government depends on which men plan; whether they plan swiftly, whether they intend to carry out their plan hurriedly; whether it is freely assented to by a public conscious of the issues involved; whether the public retains the right of dissent and reversal; whether there is a proper machinery of governmental responsibility; whether the schemes are decentralized; whether the public representatives are well-selected—in short, whether the whole process of planning is generally democratic".[98] As a matter of fact, in this country the deep reserves of shared purposes have not been tapped. General public participation presumes a position of equality. It calls for an inter-change of ideas and views. It demands respect for each other's position. In this country the participation of the general public has been sought in a manner as if it were a fire-brigade, to be used to put down the occasional opposition inside the ruling political party caused by discontent with the dilatory and vacillating economic policies of its executive or to quell the opposition from other political parties, and with this queer notion the leaders of the ruling political party have gone in appeal to all manner of people to rally round them to silence the so-called reactionaries and saboteurs by reaffirming their faith in them and their economic policies, most of them radiant with eclecticism and opportunism, *ad hocism* and casualness, and to demonstrate support for them by shouting slogans, displaying banners and even by raising hands. At times the threat perception of the leaders has served as a catharsis to mass dissatisfaction over their unrequited promises. The people's involve-

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ment has been fervently sought by these leaders also in moments of personal nervousness over a threat, real or fictitious, to their own lives. But this has seldom been sought at other times, say, while drawing up the programmes for development, for example.

Upto 1980-81, Rs 90.000 crores had been spent by the Government on the Five-Year Plans, which worked out to Rs 100 per person per year[99] but the net result had been far from heartening. Abysmal squalid, grinding poverty with back-breaking work and worry had been responsible for making the aspirations of the poor already given to solitude and self-pity "limited and static". One-third of our population had known no growth in per capita income in the last two decades. The annual rate of its growth had been less than 1.5 per cent. The capstone of this was the failure of the present system to utilize the full potentialities of the human and material resources as the first ever leaven of change. In a word, the Indian drama of democratic planning has been one of wasted efforts and lost opportunities in several respects. It is not its qualitative difference from other forms of planning that has been significant but rather its quantitative differentials, such as the change (increment or decrement) in the given state of the economy (without a shift of that state), the slowness of the change, the varying amplitude of the fluctuations, and, most importantly, the fact that the forces of change have not been allowed to work out their effect in full. The laws of motion of both economics and politics are encapsuled in our mixed economy (an extension of the welfare state in certain directions), which "under the prodding of populist democracy", has got itself into "a structural blind", as Samuelson would have us believe. The economic explanation of this blind lies in the growing mismatch between the desired saving and the desired investment of the community and the resulting worsening disequilibrium. For the ramifications of this mismatch we have to examine carefully the various factors which influence and are influenced by the consumption, saving and investment propensities of the community. The state has failed to recharge the natural economic circuits to the extent desirable. Two-thirds of our planning has contributed to the deepening process and benefited the haves. One-third of it has contributed to the widening process and benefited the have-nots.

The rate of growth of a developing economy depends not so much on (a) what the opportunities for it are in the economy, (b) what the number of the citizens who want economic development to speed up is, (c) what the factors working towards balances in the economy are, (d) how strongly the social and the political motives of the people affect their economic motives, and (e) how many good and efficient economic agents there are in it as on (i) what the obstacles to it are, (ii) what the number of the citizens who want economic development to slow down is, (iii) what the factors working towards imbalances are, (iv) how strongly the economic motives of the people affect their social and political motives, and (v) how many bad and

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inefficient economic agents there are in it, respectively.[100] Economic phenomena cannot be explained by technical relationships alone; property relations and relationships between different economic classes and their government have also to be considered, besides the whole social framework in which all these relationships originate and exist. To this part of the story we now switch over.

II. Social Realities

In *Logic* J.S. Mill articulated his idea about the necessity of social sciences having a *science of character*, that is, "a theory of the causes which determine the type of character belonging to a people or an age", for achieving perfection. In other words, he desired the artificial frontiers between economics and sociology to be broken down. Marshall, in an article, wrote that economic or social progress was "not mere increase and decrease". It was "organic growth, chastened and confined and occasionally reversed by the decay of innumerable factors", each of which influenced and was influenced by those around it; and every such mutual influence varied with the stages which the respective factors had already reached in their growth. Hence, the moral and political capabilities of human nature assumed special significance. In his *Principles* he observed that the newly introduced institutions would endure only if they were "appropriate to man". They could not retain their stability if they changed much faster than he did.

Inkeles and Smith are of the opinion that "neither rapid economic growth nor effective government can develop, or, if introduced, will be long sustained, without the widespread diffusion in the rank and file of the population of those qualities...identified as those of the modern man", viz., he is an informed participant citizen; he has a marked sense of personal efficacy; he is highly independent and autonomous in his relations to traditional sources of influences, especially when he is making basic decisions about how to conduct his personal affairs; and he is ready for new experiences and ideas, that is, he is relatively open-minded and cognitively flexible. They further suggest that development requires "a transformation in the very nature of man, a transformation that is both a means to yet greater growth and at the same time one of the great ends of the development process". The authors describe this transformation as "the shift from traditionalism to individual modernity".

Myrdal notes that in regard to attitudes, the general idea of a social revolution is commonly regarded as the creation of the "new man", the "modern man", the "citizen of the new state", the "man in the era of science", the "industrial man", and so on. What is implied is enshrined in the thirteen qualities, viz., efficiency, diligence, orderliness, punctuality, frugality, preparedness of change, alertness to opportunities as they arise in a changing world, energetic enterprise, integrity and self-reliance, co-operativeness and willingness to take the long view.

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In sum, the "causal relationships and connections between purely economic factors and social and cultural conditions" cannot be ignored or excluded from economic analysis and policy. Furthermore, "the boat of economic development to reach the shore needs to be propelled with the oars of remodelled social institutions". Economic development connotes "a change in the whole tenor of life, in the expectations and motivations, the environment of daily existence itself". Creativity making changes acceptable, and social tensions and pressures changing men's attitudes are factors for social change. "Environments like people have children" (Pigou)[101]. But economic development is not passive like this. It is also active, for it is "a process that affects not only economic relations but also the entire social, politicial and cultural fabric of society". Social organizations distort the social system in favour of man or "at least in favour of the ideals of their decision makers" (Boulding). They try to eradicate social weeds and rodents and encourage the growth of social crops. Economic planning implies a knowledge of the true dynamics of society.

In contemporary India people's social endeavours are weakening "the higher qualities of human nature" instead of strengthening them. Their natural self-regard is the despot of their effort, individual or collective. Bad social and political conditions are slackening "the springs of productive energy". The Indian society, a huge engine, is out of gear. When there is social disharmony or discord, the will to develop and to change is at the lowest ebb. When the system of reward and punishment is not enforced strictly and uniformly in all cases continuously over time, the urge to achieve excellence cools off and withers away. As Myrdal has put it, "Even in the very long run, attitudes and community institutions may stay much the same, in spite of all efforts to raise educational levels, if the inegalitarian social stratification remains rigid and the national community remains a 'soft state' ". Toynbee makes an important point: Some inward spiritual failure—some kind of demoralisation—following success (of being a free nation in our case)—might have made us lazy or self-satisfied or conceited, intoxicated with "the pride that goes before a fall"—the society disintegrates, the masses become estranged from the leaders—"a psychological schism" in the souls of people—discordant psychic tendencies are the outcome. However, Toynbee regards social institution "as a proximate, and never as an ultimate, cause of social conditions"—and this for "the simple reason that the institutions themselves are part and parcel of the conditions in question".

In the last few decades we have become less spiritualistic but more materialistic. We are now men of word, honour or grace less than before. We have also become more ungodly and immoral. Loss of idealism, ideology, reforming zeal; of innate good sense of the people, their grit and determination; naive and reckless pursuit of power and wealth, pervasive corruption and the nexus between

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politics and money—all these afflict and cast a deep shadow over India. The standard of fairness and honesty in the country is now much lower than before. We have declined rapidly in the "wealth of character". The nation might have grown in wealth, health and education since Independence but certainly not in morality, which has registered a steep fall. Our circumstances have become "the preceptors of our duties" (E. Burke's words). "Ancient India was great because it was enamoured of ability, learning and integrity, as modern India is of petty politics and mass deception". Palkhivala notes succinctly, "During the last few years it is not merely our currency which has been eroded. Far more devastating has been the erosion of values and moral standards". Idealism does not pay in our country. Trading in truth is a very dangerous game. "People will scratch your face or break your head, if you tell the truth about them."[102] There can be no better commentary on the paradoxes of our contemporary life than the Hindi song broadcast sometimes by Akashvani (A.I.R.), the burden of which is this that such is the way of our society that a man who takes liquor is detested, while a man who sucks human blood is adored. Swallowing of a gnat by a resourceless person is an offence but not swallowing of a camel by a resourceful man. If it helps those at the helm of power to save their own skin and to protect their own mundane interests, they will not take even a minute to hang their able, loyal and law-abiding subordinates both as a sheep and as a lamb. Man's self-love is no longer God's providence; its is now society's gospel of misery—society tending to become "an aggregate of dust".

The nation cannot certainly survive without "a minimum infrastructure of an ethical system". No government can be said to have moral legitimacy unless it is able to offer the people a fair and steady administration of justice. The scant regard for, and hence the decay of justice and fair play, in our country is a very serious matter. The most difficult thing to get today in India is justice. The administrators, who have the power to dispense justice in a trice, have no time to spare for this, nor are they within the reach of the common man nor do they care to have an arrangement in their secretariat for this purpose. It is no secret that the true greatness of the ruler in this country has always been judged by his propensity to mete out justice to the humblest subject at his call against the strong and the resourceful even at great personal inconvenience and risk. A man who cannot give justice and who is without compassion is not a man for all his power and pelf.[103]

It would be worthwhile asking the question as to which of our political leaders have been responsible for initiating the demolition of our moral infra-structure. Gandhiji took notice of the smallest deviations from the code of conduct laid down by him for all sections of our society and commented on them immediately. His disciples—our present-day political leaders—are pre-occupied with the bigger problems and they have no time for such trivialities. Corruption,

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casteism, communalism, and regionalism have reached such dizzy heights that people are no longer prepared to believe that there are any honest, just and fair-minded persons left in the country. Corruption and opportunism now belong to "the genre of sanctified pattern of our national behaviour". So inured have we become to corruption that "instead of reacting to it as destructive of all morality and decency, we accept it as a recognised way of life". The system of corruption, according to Myrdal, acts with special force "as people become aware of the spread of corruption and feel that effective measures are not taken to punish the culprits, particularly those who are highly placed. Among the sophisticated the situation may become rationalised in the idea that corruption, like inflation, is an unavoidable appendage of development. The effect of this is to spread cynicism and to lower resistance to the giving or taking of bribes."[101] "Resistance stems specially from the belief that ministers and high officials go unpunished".[105] "It is quite hopeless to fight corruption if there is not a high degree of personal integrity at the top levels". Avarice and self-uplift have become our god, and "foul is fair" because "foul is useful and fair is not." The greatest happiness of the smallest number is the basic tenet of the modern political utilitarians.

It is impossible to enforce any kind of discipline in this milieu, and in the absence of discipline, little economic progress can occur. Whatever economic progress occurs will be distributed in "a horrendous and uneven manner". If India has failed to achieve a clear break-through in so many years of planning, it is explainable, to an appreciable extent, in terms of its failure to enforce discipline practically at all levels and in all fields, to evolve a national consensus, and thereby to keep the flock together under an unselfish and determined stewardship.

The springs of idealism are drying up. The present mood of scepticism is resulting in "evaporation and banishment of idealism from the mental process of the youth of the country". The situation in which we live and work and have our being is such that those, who abide steadfastly by law, rules and regulations, who act honestly and who cannot oblige people by "going out of the way" and at the expense of the public exchequer, and by doing unprincipled things, would face straitened circumstances, would have few or no friends or supporters, would be unpopular, and would have no outsider to mourn their death even, whereas those, who do the opposites of these, would lead a comfortable life, would have a wider circle of friends and helpers, would be very popular and have numerous outsiders to mourn their death. This is proof of our country being "sick to the very marrow of its bones." We do not perceive "the numbling truth that we human beings are merely as many pieces in a jig-saw puzzle, and that our every movement affects the fortunes of some other piece...We are all individuals till we wake up".

Man's character is moulded by his every-day work as much as

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by the material resources which he thereby procures. To quote Marshall, "For the business by which a person earns his livelihood generally fills his thoughts during by far the greater part of the hours in which his mind is at its best; during them his character is being formed by the way in which he uses his faculties in his work, by the thoughts and the feelings which it suggests, and by his relations to his associates in work, his employers or his employees".

Poverty is accountable for "the degradation of a large part of mankind". "The poverty of the poor", said Marshall, "is the chief cause of their mental and moral ill-health, besides physical". But the hasty and unnecessary pampering of "the lower orders or grades of the people" (as the English classical economists chose to term them) by the government of a country for political reasons may produce some deleterious effects alongwith the wholesome. In India in certain places and occupations the policies of the Government in the last few decades directed towards appeasing particular sections of the community, which formerly treated its other more qualified and cultured sections than themselves with due respect and courtesy, by uplifting their material well-being undeservedly for political reasons by means economically sound or otherwise, have turned their heads and made them arrogant, defiant, indolent and negligent of their duties. These were the sections of the population that submitted previously to legitimate discipline and legal authority and were filled with a sense of gratitude towards their benefactors. It is these sections which now shirk and wriggle out of their work more often than others and have the notoriety of increasing dishonesty and belligerence. They are losing their social balance fast as it were. The bees have been turned into drones in large numbers.[108] The removal of the "feeling of distance and curiosity, tolerance and respect" between these and other sections of the people instead of taking "the sting out of the struggle" between them and muting "the strings of social discord" and binding the nation more closely together in its "common mood of reform" has worsened the extant situation. Such a view may sound to many as reactionary but it is not expressed in that spirit. We are not against their uplift but we certainly are against their being pampered and spoiled by the politicians.

The Indian villager is no longer a simpleton; he is now a litigant fighting his case in the *Panchayat* or a court of law. All villagers professing as poor for state help are not, in fact, poor but in possession of some property or some other source of income and out to dupe the Government by concealing it. Actually, the villages have never been short of crooks. No villager gets elated at his neighbour's achievement to-day. They all are born in politics, live in politics and die in politics.

A moralist, a preacher, an idealist, if they go astray or if they are misled, can outdo a habitual, hardened sinner and offender in committing immorality and offence. A selfish, greedy, over-ambitious

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teacher can make a greater mess of the cause of education than a non-teacher. The son or daughter of a communist, trade union leader can be a greater tyrant than that of a rank capitalist. In all these cases nurture and environment overshadow nature and genes.

We have attained a stage in the evolution of our national life at which, in the words of Mill, "there is no habit of spontaneous action for a collective interest" and people "expect to have everything done for them" by the Government. "In proportion as all real initiative and direction resides in the government, and individuals habitually feel and act as under the perpetual tutelage, popular institutions develop in them not the desire of freedom, but an unmeasured appetite for place and power; diverting the intelligence and activity of the country from its principal business to a wretched competition for the selfish prizes and the petty vanities of office".

A regeneration of *moral values* in our public life is the dire need of the hour.[107] "Regard for others" and "self-respect" are "the mainsprings of human progress". New ideals, new opportunities and new methods of action may modify and alter human nature very much even in a few generations. Changes of our social organisation must promote "the growth of our higher social nature by giving it always some new and higher work to do, some practical ideal towards which to strive," so that an order of social life is achieved in which "the common good overrules individual caprice" (Marshall in *Principles*). We need persons who can tell the right from the wrong, the grain from the chaff, and who can call a spade a spade, and who are not to be influenced by the offers of prestigious offices as they believe in honest living. But it is obtrusively difficult "to build bulwarks against the insidious inner erosion that is converting India into a moral wasteland". Even public sensitivity to sensational corruption deals and glaring cases of injustice and favouritism has greatly abated and become blunt and clumsy. No longer is the people's sympathy wholly with the sufferer; it is now more with the oppressor. The number of "takers" has been rising faster than that of "givers". The existing situation will call for "a new renaissance to recapture the spirit of those deeper ideals that motivated our great freedom movement and to rekindle the great idealism that has nurtured the spirit of India down through the ages", as Karan Singh has admirably surmised. As it is at present, we doubt if in our country we can take man to be Nature's last word. Characterlessness, deceitfulness, ungratefulness and falsehood have grown at the fastest rates. Either we lack the filtering process or if we have one, it is itself infected.

Each segment of our contemporary society is wrapped up in its own self-interest, reluctant to look beyond its narrow ken or horizon. Gone are the senses of courtesy, respect and appreciation. We are devoid of sturdy humanism, large-heartedness and sensitivity. We may not be economic automatons but we assuredly are hard-headed and predatory seekers of our own gains. Our increased selfishness and indifference to the well-being of others cannot be denied. At present

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the interests of the individual have a precedence over those of the party and those of the party have a precedence over those of the nation. More and more, the people in charge of public offices and institutions are turning them into private or family concerns and treating public funds as private. Public trust is now more liable to betrayal.[108] Feeble supervision and loose audit bolster this pernicious tendency. The desire to feather one's own nest at the cost of one's fellow human beings, the general indifference and callousness are "the concomitant to one's seeking one's own security in a society that is getting to be perceptibly insecure"; they are born of an uncertain future or of unbridled avarice. Therefore, the crying need of the hour is a new social ethos or anabolism of collective effort, the creed of the predominance of the interests of society over those of the selected few. We have to set a good example in moral rectitude, honesty and integrity individually, if we are to succeed collectively as a nation. People must acquire "a power of unselfish devotion to the public good". But for this, the common economic life should release the immensely powerful productive instincts of all individuals, and the economic rewards should be used "to reinforce (working with and not against) the rational and moral appreciation of the common good". One suggestion is that our political, administrative, managerial and technical cadres should become a working elite, with reasonable rewards and proper respect for honesty, diligence and skill, and subject to penalties for corruption, divisive rabble-rousing, cussedness and laziness. Only this can evoke the trust and respect of the general public in the country's leadership. But India can wake up to its new needs only through appropriate shocks and jolts. We also need a master moral plan.

Myrdal advises us that the problem of development in India requires induced changes in the social and institutional structure, "as it hinders economic development and as it does not change spontaneously, or, to any very large extent, in response to policies to the 'economic' sphere". The economic facts cannot be studied in isolation from other social facts. The inhibitions and impediments to rapid economic development are "rooted in the inefficiency, rigidity and inequality of the established institutions and attitudes, and in the economic and social power relations embodied in this framework of institutions and attitudes". These form "a complex social system that is difficult to change", particularly because India is "reluctant to apply compulsion". Indian tolerance is expressed in the weaknesses of the soft state—"the reluctance or inability to put people under obligations, to enforce obligations, or to apply effective measures against corruption, and so on". There are always stronger interests resisting changes, particularly of institutions, and particularly those institutions that relate to property and the stale and inegalitarian social stratification. "Democratic planning with reliance on persuasion is . . . rationalised to defend the avoidance of radical reforms through changing the institutions". A paradoxical position obtains. "On a general and non-committed level they (the leaders) freely and

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almost passionately proclaim the need for rapid social and economic change, whereas in planning their policies they tread most warily in order not to disrupt the traditional social order". Their pervert character makes them indulge in double-talk and double-action. They are *schizophrenic*.

But a change is visible in the whole landscape or scenario of Indian life. Robust optimism dies hard. A new system of social relations is gradually evolving. The roots of these relations lie in the motives of the stronger to dominate over the weaker in all spheres of human activity and those of the weaker to come out of the yoke of this dominance—that is, in the unceasing conflicts and contradictions in social life and a struggle within society. "The quick political socialisation of the masses, the upward push of huge humanities chained for centuries to various forms of suppression and deprivation, the growing distance between the rulers and the people, and the ascending claims to the limited fruits of development—all these and other trends are exerting their own pressures upon the system". But these movements are spasmodic and erratic; they are not concerted, sustained and determined. Most of them are led by demoralised, indifferent and uncommitted sets of people. They are movements without momentum. The Day of Judgement may come when the people's discontent becomes a crisis, or better, a calamity, or when they stop blaming their own Fate for their plight, stop accepting it as the punishment awarded to them in their present life by God for their guilt in their previous life, and start looking for the cause of it in the social system entrapping them and mount a revolt against its inequity and against the suffocating and choking social conditions.

The existing *law and order* conditions in the country are not conducive to stable or steady economic progress. The people seem to be " lost in internecine strifes" and their minds are "distracted by petty squabbles and puerile controversies". Values and sanctions, which had in the past enabled them to live together in peace, appear to be losing their hold and perishing. Respect for law and order and sanctity for life and property seem no longer to guide their conduct. Rashes of violence keep erupting and add up to quite a blaze. Violence erupts at the slightest provocation. Secessionists and extremists create law and order problems, exploit minorities, spread religious hatred and whip up riots. Communal, chauvinistic and pro-imperialist forces are at work. Whichever political party is in the opposition strives to foment agitation against the Government even on flimsy grounds and adopts a recalcitrant attitude towards it. One palpable reason for this may be that it is not involved meaningfully in the legislative processes. Co-operation between the two in certain areas of national good is no less essential than their competition in other areas.

Most of the States in northern India are slowly drifting into chaos and anarchy and show of brute force—typical of the pre-Bentinck days. Man's life and property are unsafe and cannot be taken for granted.

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Innocent people are gunned down or speared or hacked to death. Blood baths occur at places. Men are killed like game and their heads paraded publicly. There is sale and purchase of women. The modesty of women is outraged. They are raped and burnt. There are thefts, robberies including bank robberies and gruesome, macabre murders in buses and trains at the point of deadly weapons. The gangs comprise students of colleges and universities, some coming of highly respectable families.[109] Collusion between the railway staff and anti-social elements is reported. The railway police refuses to register cases; the railway authorities do not respond to the appeals of the aggrieved. There is arson and mass carnage. At various places the criminals and bandits are reported to be running parallel governments. The professional kindnappers have a hey-day.[110] These are the real nightmares of India at present. Recently reports of Naxalite atrocities and police excesses in certain States (such as Bihar) have poured in. Mass political murders have been committed.[111] The "politics of violence" has been widely publicized.[112] The significance of the "subterranean gathering of explosive forces" in our society cannot be belittled. "The trampling, crushing, elbowing and treading on each other's heels" (Mill's description) perfectly fits the facts of our present-day social life. India is fast becoming "a land of demonstrations and agitations"—some organised by the ruling party itself to exhibit its "might and popularity with the masses". No party is in a mood to reckon with the fact that there can be nothing "so dangerous as pandering to the emotions and passions of a mob".[113]

Links between anti-social elements and political parties of all hues have lately become public knowledge. "In one particular State no less than 30 per cent of the legisalators were involved in criminal cases of one type or the other". In this "age of lawlessness, violence and insecurity, and general hardness and roughness of manners, in which life is beset with dangers and sufferings at every step. . . the so-called protectors are now the only persons against whom, in any ordinary circumstances, protection is needed" (Mill). It is essential that we in India invoke, renovate and regenerate our group life in order to protect ourselves from these social predators and the defaulting public servants by collective and concerted action. From time to time we have news of threats to the lives of the political leaders at the helm of affairs. Concern over it is expressed by members of their political parties and the matter is passionately debated at the proper forums and appeals are issued to the public at large. Many representatives of the people have to be provided with "shadows". Such being the situation, how can the ordinary people look up to them for their own security ? According to Rangachari, "The public not only lacks the assurance that the instruments of law and order will offer protection but is also convinced that these agencies are often acting in collusion with the offenders to make vain the hope of redress". The report of the Amnesty International (1981) concluded that "the right to life and freedom from torture was not effectively

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protected in India". In so concluding it had in mind the inhuman blinding of several prisoners and the wanton killing and regular gruesome experiences of Harijans, Adivasis and others without means or influences who happened to fall foul of the authorities. The mills of justice grind exceedingly slow in India. Its processes are lengthy, time-consuming and exasperating. Justice is largely the prerogative of the favoured few. Most individuals cannot afford because of their limited means to sue their institutions against their wrong decisions in the courts of law. This emboldens the authorities to make still more wrong decisions. Injustice is perpetrated by the privileged classes and castes upon the unprivileged. The legal system is so weighted and the police methods are so distorted that the ordinary people are not unjustified in viewing the custodians of law and order as the worst oppressors. Indiscriminate beatings, extortion and other forms of bullying and torture and torment have always been associated with the policemen in the country-side. The guilty have seldom been punished for fear of repercussions. But this is not to deny that the policemen too sometimes have genuine grievances. Calculated provocations by extremists and outlaws inject a sense of desperation, while political interference makes it impossible for them to act according to either the law or the dictates of conscience. It is imperative that the police is insulated from the politicians and employed scrupulously for performing the duties for which it is intended by the law.[114]

Concludingly, while Malthus holds "laws inherent in the nature of man" alone responsible for "violence, oppression, falsehood, misery, every hateful vice, and every form of distress, which degrade and sadden the present state of society" and absolves "human regulations" of the charge, we would accuse both. Even the ancient Indian tales and legends speak more of our vices than of our virtues, more of our meanness than of our nobility. This is rueful.

Were we to enquire dispassionately, without prejudice or predilection, we would discover that we, Indians, have been notoriously violent, nasty, dishonest, untruthful, ungrateful and lethargic (what the English classical economists called "phlegmatic") people throughout the ages and we have had to be reminded of these of our weaknesses by the religious teachers and political thinkers, time and again, who enjoined on us the value of being non-violent, urbane, honest, truthful, grateful and hard-working. We have been one of the most internally peace-unloving and warring peoples of the world and at the same time one of the most timid, easily subjugated and subdued by the outsiders. We have been extremely violent in our speech and refractory in our action. We have been extra-ordinary hypocrites and our actions have been replete with contradictions and discrepancies—we have preached one maxim for others and practised an absolutely different dictum for ourselves. Gokhale concludes in his book that "the Indian temper, if there be any such entity at all, has not been able to accept unreservedly non-violence on the collective level; on the other hand, by and large, it has seldom swerved from commitment to

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non-violence on the individual and in group relations". The latter part of his conclusion cannot be accepted without a pinch of salt, considering the past as well as the present experiences in this realm. This is what Myrdal has to say on the topic, "The widely accepted idea that Asians are bent on settling disputes peacefully and by mutual agreement, without resort to legal procedures, is refuted by the popularity of litigation in all South Asian countries, once there is access to the courts. And the idea that, in the conduct of political life, they are pre-occupied with moral issues to the exclusion of expendiency and personal advantage is, of course, repudiated by the facts".

Look at the rumpus on the campus. The law and order situation in the universities (State or Central) has deteriorated to such an extent and the authorities are experiencing near-total helplessness and haplessness (being the cumulative result of prolonged indiscipline and incompetence) so very acutely in enforcing discipline on the campus (part of which has become a sanctuary for harbouring vandals, criminals and anti-social elements alongwith narcotics, addicts, arms and obscene literature) that the social costs of running them are appalling, involving astronomical figures. The police-men's increased pre-occupation with the university law and order problems means that they are not available for their traditional civil duties. Notwithstanding this, the Government is obliged to contemplate of having full-time security pickets on the campus to contain them. Character (with humility being one of its cardinal adjuncts) has become a decreasing function of learning. However, it is doubtful if such forces could deter the trouble-makers and trouble-shooters or cope with serious disorders, especially in respect of those universities which do not have an integrated campus (and where authorities have funny ways of giving their agitators a slip by constantly changing the venue of their decisions on the sly). This might further clash with their autonomy, already attenuated and diluted. As a matter of fact, the autonomy of the universities is a myth, a facade, in the teeth of nosey, busy-body type politicians. The appointment of the vice-chancellor is more on political grounds than on considerations of merit. Anyone can be appointed to the office of vice-chancellor. Political defectors and candidates rejected by the electorates, notorious casteists, who administer with the help of their militant brethren[115], persons indicted for corruption and other offences have been appointed vice-chancellors.[116] And it may not take the Government even an hour to remove a vice-chancellor, good or bad (unless the Council of Ministers gets divided on the ouster move along caste or communal lines, and the Chief Minister finds that he has caught a Tartar in a vice-chancellor).[117] A few tutored statements by the politicians (outsiders having no locus standi or insiders) blaming the vice-chancellor, rightly or wrongly, flashed by the press, is enough to set the ball rolling. If the vice-chancellor belongs to a strong caste or political lobby, he may decide to contest for a while; otherwise he quits in ignominy and pays the price for not acting as a stooge or protege or

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a glorified clerk of the Government.[118] In certain universities the posts of officers including vice-chancellors are transferable. Some officers can deal directly with the Government. Posts are created by the Government fiats to accommodate the loyalists. The universities have to move the Government to sanction the creation of posts and to ratify their budgets. Even the routine expenditures have to be first sanctioned by the Financial Adviser deputed by the Government. Quite a number of the teachers are engaged in politics and are active members of the political parties which, like the octopus, have their tentacles spread all over the campus. They openly canvass for their candidates during the elections. Some teachers are members of the legislative bodies; others are in the Government.[110] They wield great influence with the university authorities. Junior politician members of the university bodies win with their hands down, defeating senior teacher members. Teachers are greater critics of their own class. The representatives of the legislative bodies and of the Government (particularly the bureaucrats) command greater influence and respect as members of the academic and administrative bodies of the universities than the teacher members even with the insiders. Their writ runs within and beyond the campus. A university, when disturbed, is closed and opened by the orders of the district or divisional administrative authorities. Warning to the teaching and the non-teaching staff is issued by the Government on the eve of mass protests and demonstrations planned by them. Members of the excutives of the political parties, more particularly those of the ruling party and those of the council of ministers are understood to have addressed letters to the university authorities to do this or that, or to explain this or that, which has amounted to interference in their day-to-day affairs. The vice-chancellors are reported to have attended meetings in the chambers of District Magistrates, Divisional Commissioners, Secretaries or Commissioners of the Government departments, presided over by these officials. It is learnt that committees headed by some of these officials have been set up by the Government to oversee the functioning of certain universities. The presence of a minister at a university function may be supposed to lend grandeur to it, to sanctify and purify it. Politicians may be deified and placed above all. The university rules and regulations may be made, amended and unmade to suit the convenience of the established group outside and inside. Even in the disposal of the routine matters, procedures may be circumvented by them in blatant disregard of the academic values. Everything may cluster round the bloated personalities[120], who become the hub or pivot of the university life. Any person of some political or social standing (a lawyer, a doctor, etc.) can control the politics of a university forcefully, provided he has time, energy, money and man—power to stake. Academic life moves at a glacial speed.

While the real appointers of vice-chancellors and the real nominators of the syndics may be interested in carrying them in their pockets, while such vice-chancellors may prefer to evade issues and

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escape from them[121] and yet remain the favourites of their political patrons, the political parties may be interested in throttling academic progress and building up their cadres in the campus, the teachers and non-teachers may be mostly bothered about their material betterment, no matter even if their customary academic rights get infringed in their endeavour to make peace with the powerful politicians. The system of elections for seats in the academic and administrative bodies may take a heavy toll of discipline and dutifulness in the universities[122]. The politicization of the campus and its bureaucratization or regimentation may go side by side. The controversy over the relative superiority of teachers and bureaucrats as university administrators may be clinched and concluded in favour of the latter, more so if they had been teachers even for a term, thanks to the self-arraignment of the teaching community, except where considerations of caste or caste alliance act as a foil. Some shortcomings of the universities are the extension of the weaknesses of the Government and others are their own weaknesses, one being their inability to identify the problems and to order the priorities. The day is not far when no self-respecting teacher will like to touch the office of vice-chancellor even with a pair of tongs. But this may prove to be a wrong forecast inasmuch as vice-chancellorship is to a teacher what married life is to a bachelor, to wit.

All sections of our community are interested in enticing and luring the raw, untamed, unchiselled youth power of the students, who are easily excitable but who display the stupendous organising capacity on the occasions of celebrating national festivals and national days as well as the annual days of their institutions and societies, into activities benefiting them. Quite a number of students are thus made to fritter away the precious years of their youth in processions and demonstrations because, in Smith's felicitous phraseology, at their age "the contempt of risk and the presumptuous hope of success" are more active. During our prolonged fight for freedom a large number of students performed wonderful tasks. Acts of terrorism were generally the contribution of the fire-brand type of students. Protest movements and the civil disobedience movement had attracted many students. During 1974 in certain States (Bihar and Gujarat for instance) students had got universities closed and taken to the streets to try to bring about the "*total revolution*" of Jaya Prakash Narayan's (J.P.'s) dream at his clarion—call. J.P. preached that much good would ensue from the students deserting their studies and trekking to villages to bring about such a revolution with the help of the masses, even if it took some years, just as had happened in Communist China. The debate whether the students should take part in politics or keep themselves aloof from it is still alive and has not so far been settled.[123] The perimeter of their academic career remains undefined.

We would like to sum up our this account in the words of Mishan, "The idea of the university as a community of scholars, or the guardian of civilized values, has become an anachronism. The expanded

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university is tending to become a microcosm of the real world. Into it are imported all the political passions and prejudices, the fashionable aberrations and the 'trendy' deviant movements, of the outer-world—as though for being a hot-house of intellectual tolerance or a seminary of weird cults. Far from being a community of disinterested scholars exerting an independent and civilising influence on society, the modern university is, at best, a rather muddled reflection of society at large, its chief function being to supply society's needs, real or imaginary, for trained personnel in the attempt to maintain the momentum of economic growth. At worst, since so many of the students of to-day see themselves as transients, passing through the university but not of it, they tend to regard it as a permissive rather than a liberal institution. In consequence, the...vulgarities and excesses, that are taking place, hold in...society, find all-too-ready a reception on the campus." The contention that the university community is dedicated to an open society, should be verified because, in fact, this dedication is not directed towards any effective mass movement. Both the channel and the water in it are moribund and defiled and have to be renovated and replaced respectively.

In India a new cadre of selfless young workers having a base among the masses has not hiterto been created. Instead we have disparate bands of undedicated and uncommitted young people, generally of an unstable, unpredictable character, many of them susceptible to influences with their minds enslaved and trammelled, and hence purchasable, to-day in one political camp, to-morrow in another. Most of them are unemployed and shorn of hope of future employment. Their frustration, even desperation, breeds resentment and finds an outlet, not in any organised mass movement but in fissiparous, desultory, superficial manifestations like demonstrations, strikes, mindless violence and riots showing distortion of all sense of values.[124] Distribution of doles by the Government is apt to lull them into a temporary truce and sap their self-esteem and sense of productiveness, independence and vigour. A large percentage of them are addicted to alcoholism and drinking. Some come of ultra-modern families, partly torn by warring parents. Films glamourising crime and cruelty aggravate the sordid and ugly process. The distance between the educated and the masses is great because menial work is despised by the literate people and education provides an escape from physical drudgery. This throws a flood of light on the incongruity of a situation where countless educated persons face unemployment, yet many clamour for seats in the institutions of higher education, the products of which do not sell and the degrees of which are counterfeit in several cases. What is more puzzling is the fact that the Indian youth are after quick results and immediate gains. They do not have the patience to prolong the fight to achieve better results and larger gains in the long run. It is problematic if they have any special mission of life at all except quick material gain—such as ambition, money and power. Oftentimes they are fed on platitudes.

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One reason assigned by Myrdal why a frontal attack on the existing attitudes is avoided is that "the educated themselves, including the *intellectual elites*,[125] are aware of the failure to live up to ideals in this respect". "Even more important is the separation of this group from the masses. Conscious of the wide gap between their modes and levels of living, culture and all circumstances of their life and work and those of the villagers and urban slum-dwellers the intellectual elites compensate for their alienation by romanticising the plight of the masses." "There is much escapism, particularly in regard to specific issues. The intellectual elites who, on one hand, are the vehicles for the modernization of ideas, on the other hand, largely belong and/or have numerous ties to the privileged groups that have vested interests in the institutional status quo, at least in the shorter view." "The intellectual and moral conflict among members of their articulate social and economic strata, who carry the burden of public debate on planning is the more glaring because of the extravagant language used to express the official egalitarian ideals...Naturally, this habit of speech engenders a certain amount of 'double-talk' in public discussion and a tendency to indulge in rhetoric isolated from reality. It and the dichotomy between pretensions and accomplishments so far as policy is concerned give...a 'Janus-like character' to much that is said and done in India." "The volatility of the intellectuals in some of the South Asian countries certainly does not reflect the need of the masses." Their pedagogic stance is to be contrasted with the ideal assigned to them by Comte, "The only position for which the intellect is primarily adapted is to be the servant of the social sympathies.".

One strong factor making for the stability of the Government, despite its failure to deliver the goods, is the large-scale demoralization of the intelligentsia class in unrelenting conditions of inflation, revealed in their turning to the Government and the leaders of the political party in power for lucrative jobs, carrying numerous perks or for the means of their continuous maintenance even after retirement[126] from the active service (the amount of the pension, etc., drawn by them being inadequate and ungenerous for the purpose) in return for their moral support to the latter. They are chary of contributing ideas that may run counter to those of the Government and the leaders. This fear of official intolerance accounts for the poverty and paucity of new ideas. They are gregarious with regard to the official ideas or those of the establishment and therefore the latter get propagated and disseminated at a faster rate by all means possible. If the exceptional intellectuals, who have the guts to expose the loopholes in the official ideas, venture to do so, they run the risk of victimisation and vilification. This places a moratorium on the proliferation of new, independent ideas. A band of mercenary loyalists emerges. The tone in the intelligentsia is set by "the rapidly growing horde of careerists". Their progressiveness becomes nothing but a cloak for their bland, stolid opportunism. They opt for success and social distinction by easy means. Many intellectuals allow their moral

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backbone to be broken by the corrupt politicians when they abjure the pursuit of their noble, lofty ideals and stoop to oblige and curry favour with and pander to the idiosyncrasies and suspect motives of the politicians and become mere puppets in their hands. The old yardstick of judging the scholarship of an intellectual by his single-purpose devotion and application and his solid contribution to knowledge has since been supplanted by a new yardstick of judging it by his once-over, spectacular achievement and personal contact or influence with the VIPs in the Government and the ruling party or with another intellectual already patronised and blessed by the latter, for it is this that now-a-days may lead to his appointment to prestigious posts (e.g., ambassador, governor, vice-chancellor, etc.) and to the membership of high-powered boards, councils, commissions and committees, brain-trusts and think-tanks, where the policy of pick and choose is in vogue. It is why he strongly desires to move closest to a powerful politician or an opinionated bureaucrat, although publicly he may disown this and even malign them. The hiatus between the intellectual and the politician has shortened and the wall separating the two is about to collapse. Both appear to be jostling with each other in the display of their versatility.[127] Moreover, no one is recognised as an expert in his discipline or field of specialisation unless he has been certified as such by the "high-brows"—the Government experts (especially those residing in the capital of the country) or those who are the pets of the ruling politicians. Among these pets the majority are outsiders with important references. To be successful in life an intellectual must be worldly wise and an adept salesman and have some V.I.P. (in politics, administration or mass media), preferably of his own caste, community or region, as his drum-beater. He must brag and give airs and have political affiliation and support to make an impact.[128] During the last few years a good many incentives, awards, prizes, etc., have been instituted by munificent private trusts, as also by the state, in order to induce creativity and excellence among the intellectuals but it is open to question if only the really deserving and meritorious ones have got them or got them on their own without some political backing. The system is alleged to be gripped by racketeering. Much politicking has invaded the learned societies as well and elections to their executive posts, have become a game of money, manpower and manipulation, with the result that claims based on real work and scholarship have lost their previous force. Normally, an intellectual's popularity is a by-product of his acknowledged scholarship but in modern age popularity often becomes his primary object.

A consequence of the excessive fraternalization and hobnobbing of the over-ambitious and lusty intellectuals (the teachers being in the vanguard) with the politicians has been that the former as a class do not at present command much respect with the latter as a class nor catch much of their notice or attention, except to the extent they are politically useful.[129] Unless he has had some political background of his own or gets introduced by some very important politician even

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a best-qualified man, occupying an honourable place, cannot hope on his own that the receipt of his memorandum to a political bigwig will be even acknowledged by his secretariat, let alone that it will be read by him or that he will be granted an interview by him to plead with him his case for justice and nothing else. This situation is symptomatic of a general lack of communication between the politicians and the intellectuals—they word their beliefs and hunches differently. The intellectuals are really the pitiable residuum of our contemporary society.

The progress of industrialization (and its corollary, urbanization) by creating a market for intellectual products has "accentuated the elitism of some, the populism of others, and the ambivalence of all intellectuals, especially through their awareness of the discrepancies between high culture and popular culture" (Bendix). Experts are increasingly in demand by the chieftains of ultimate power in business or in politics.

There is a striking difference in the social backgrounds of the Indian intellectuals of the old and the new generations. Generally, those of the old generation came of wealthier, joint, families possessing a larger property-base and assets, and as such, even when their own callings (most of them were self-employed as doctors and lawyers) did not afford them enough for their own comfortable living, they had it supplemented by the income from their ancestral property. When they courted imprisonment during the freedom movement, their dependants were taken care of by their joint families. This emboldened them to advocate ideas and undertake activities hostile to the British Raj. By comparison, most intellectuals of the new generation are employed in the Government departments or institutions funded or regulated by the Government and have individualistic families, and hence cannot stake their sources of livelihood by giving vent or currency to ideas that are at variance with the policies of the Government or the ruling party.[130] Some intellectuals of the wiseacre type read much weight into their press statements on practically all questions, taken little notice of by the general public. The West provided the formal schooling and intellectual stimulus and ferment to the intellectuals of the old generation. They could boast of "an ideological horizon" that they "distilled from the Western education and that transcended the values of the mobs and muddies and which constituted the logical recruiting ground for the leadership of the political movement". Although the *raison de etre* of the education of the intellectuals of the new generation too is Western, yet it has been diluted and the process of equalisation has been at work for years, narrowing the economic distance between the intellectuals and the non-intellectuals. An average intellectual of today is busy solving problems of his office and his hearth and home. His finances are not sound. His mind is in his belly (Louis Fischer's idiom). He lives in a small flat lacking amenities and situated in an over-crowded and noisy locality. His spouse may be working in an office or a school to supplement the family income. Both may have to do the

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domestic odds and ends because they cannot find or afford a domestic help. They may not enjoy enough leisure. May be both do not get on well with each other. The wife (earning or non-earning) may be creating more problems and crises than she may be solving. Instead of being an asset, she may be a curse. She may be a shrew. Her "crypto-servant" functions (Galbraith's expression) may be unsatisfactory beause she is inhospitable and selfish. The home may remain unhappy and disturbed. These are not the conditions which conduce to the procreation of ideas or to the pursuit of creativity or excellence. Bickerings at home and intrigues in office have sounded the death-knell of the promising career of a good many intellectuals belonging to the middle-class families in this country. Their present as well as future is ruined.

Besides, the forbears of the intellectuals of the new generation had not encountered problems of heavy taxation, runaway inflation, absence of domestic help, delayed marriage and the consequent carrying on of the burden of dependency of children till late in life, tensions of the modern age, etc. Even their retirement from service at 55 with a pension of a smaller sum was enough to see them through comfortably in the evening of their life. Unfortunately, these are not in the lot of the intellectuals of the new generation.

The *weaker sections* in the Indian society have made significant gains in terms of their economic and social status since Independence. But thirty-five years could be scarcely enough a period to have made up the disabilities suffered by them for centuries. Hence, even at present many persons born in these sections are born to endless frustration and indignity at various stages in their life and career. The young and educated Harijans are even now asking of the caste Hindu as to what was being done "to ensure equality of status for them and to give them dignity in society and for removal of the caste system". In the opinion of Jagjiwan Ram (an outstanding Harijan leader, who has had the reputation of being a very competent and strong administrator and who during his various tenures as a minister in the Government of India did more for the forwards than for the backwards), "A Harijan will remain a Harijan even if he becomes a learned scholar and a Brahmin will remain a Brahmin even if he remains illiterate and poor throughout his life" (reported in the *Statesman*, Delhi, 30.10.81). Alas! this anguished and embittered opinion comes from the mouth of one of the most distinguished Harijans this country so far had, who is earlier reported to have affirmed that Brahmins touched his feet out of respect for him. What he appears to have forgotten is this that not all of the caste Hindu maltreat the Harijans, for even from amongst the caste Hindu a new class of minorities is being created as a result of the inequity and discrimination perpetrated by the socially and politically well situated Hindu castes, in addition to the Harijans and the Girijans.

An object lesson of post-Independence social reform in India has been that the pampered leaders of the weaker sections (Harijans,

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Adivasis and other backwards), who have done well in their life, have masqueraded just lip-sympathy, verbal solicitude and concern shedding the crocodile tears, for their less fortunate, down-trodden brethren and have not treated them as their equals,[131] nor have they been able to forge an effective programme of political action for the consolidation of the gains in their economic and social status and for elevating their self-esteem because most of them have behaved as self-seekers and power-hungry people and have been given to pontification. The weaker sections are today better organised than ever before. But their organisations, more numerous than ever before, are diffuse and loose. More members of these sections are at present employed elsewhere but their movement has not transformed their increased numbers into a "political muscle". They have failed to exercise "political clout" effectively. They have felt lately seedy and sick and displayed defeatism as manifested in conversion to Islam and Buddhism at different places in the country. Some have seen the hands of the Gulf money and the CIA in this social upheaval.

The Indian society remains a hierarchy of castes and classes, social rather than economic. Even in the few caste-determined occupations (e.g., sweepers, scavangers, barbers, washermen, carpenters, black-smiths, butchers, menial domestic servants, etc.) the younger members are averse to pursuing their hereditary avocations either because these are detested by others or because they yield low incomes. The *caste system* in India, writes Selbourne, "is perceived to be at work both in the social texture and the mind of India, and since the latter is supposedly unfathomable, it is a field rich in infinite speculative possibility; a system of mutual awareness of relation and function; enforced additionally by complex mechanisms of guilt and tradition; and sanctioned equally by privilege, revelation, piety, fear and violence...It is alternately a source of stability and cohesion...it is the true origin of cabal and faction, an explanation of social inequality..." Caste, almost a second religion or creed,[132] is a superb welding force, except where individual self-interests conflict. In States like Bihar and Uttar Pradesh strong caste feelings stand as stumbling-blocks in the way of organising community efforts. A drag on progress is "the dead-weight of a tradition-bound, caste-ridden society, undistinguished by any marked spirit of initiative and self-help". A modern Indian village is not an organic whole but rather a collection of smaller communities fragmented into castes or clans. It is the major and the biggest caste in every village that arrogates to itself the responsibility of speaking on behalf of its entire populace. Most officers (*Sarpanch, Mukhiya, Patwari,* Headmaster, B.D.O., etc.) belong to that caste and monopolise the schemes, subsidies and co-operative and bank loans. New oligarchies on caste lines keep emerging inexorably everywhere. High-voltage caste venom, hatred and animosity keep flowing. The influence of caste, deepened and widened by the recent political awakening, has also strengthened the "vertical loyalties", and thus militates against the

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"horizontal class loyalties" on which collective social projects depend. Dacoit gangs are formed on caste basis and even murders by them have tended recently to be on caste lines. Several police officers and men of lower ranks are alleged to be not only in league with the gangs of desperadoes on purely caste sentiments but also are reported to supply them arms and act as informers on police itinerary. The leaders of some of the politically nascent castes which have risen in political ascendancy during the last fifteen years or so have literally gone out with lamps in their hands to locate their brethren (so that no one was left out) and to get them saddled in prestigious posts and provided with the spoils of their offices. Like some of the politically mature, militant and dominant castes they too have managed to get things done by sheer use of muscle-power and brawn when their brain-power and ingenuity have not served them well. Caste frictions, war and retaliation became endemic and were deliberately whipped up by the cantankerous, ossified and selfish caste leaders during the Janata rule with a view to grinding their own axes, getting entrenched in their saddles, and so on. Its reverberations are still there. That trend has lingered on, though smoulderingly, the rift becoming sharper and the politically least represented castes bearing the worst ever brunt thereof. The Gabriels of the stronger castes have acted as the Lucifers of the weaker ones. They have turned the society into a commonwealth of their own.

Myrdal in his book regrets that the caste system in India has not been directly attacked. The correlation between economic status and caste has meant that many economic policies tend to fortify the so-called dominating castes since they are biased in favour of the middle and upper classes. "Even universal suffrage and attempts to achieve political decentralisation through *panchayats* have often had this result". As a matter of fact, no political leader has ever announced that a war on the deadly malaise of casteism would be waged. All political leaders have regarded the caste system as a great menace but this they have done in the light of the social inequities bred and perpetuated by it. All the same, they have not deprecated it (let alone declaring a *jehad* against it) for the distortions[133] entailed by it in the mechanism of sharing political and economic opportunities by all sections of society in consonance with their individual merits and attainments. Instead all political leaders, Central or State, have found it easier to come to terms with the caste system and have chosen to fight elections on that basis, as Sahay has taken pains to show (*Statesman*, Delhi, 17.12.81). Even the communities have found it necessary to choose candidates according to caste, as in Bihar, for example, rather than go strictly by ideology or the worth of a person.[134] Aside from this, many of the political leaders, assuming the role of fanatical and staunch caste leaders, have stuck at nothing to aggrandise the interests of their caste men to the maximum extent possible by annihilating those of other castes. In the most caste-centred States like Bihar and Uttar Pradesh caste equations have kept shifting. The stronger castes have become allergic to the

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weaker treating their members as if they were second-class citizens or even non-citizens or "wogs" in the matter of sharing opportunities, thereby suppressing and even mauling their rights and claims. Equal ability was not able to give rise to equal achievement.[135] It looked as though those who had a low social origin had no right to shape or lend a hand in shaping the destiny of their State or country. Everybody talks about the evils of casteism but nobody does anything about it. Despite prolonged and continuous exposure to enlightened ideas, even educated and cultured persons do not seem to have any strong feeling against the inequitous social stratification embedded in the caste system. "They may deplore caste politics and denounce atrocities on backward castes; but this is a consciously cultivated intellectual attitude, which is often in conflict with their urges, reactions and conduct in private life". They do not have any qualms or pangs of conscience or mental compunction while using the term "Neecha" (low) for the weaker sections and the term "Unchcha" (high) for the stronger sections of society. They are oblivious of the fact that there are no natural monopolies in the qualities of the human head and heart, though unmerited success brought about by the political support of caste leaders is no detergent for or no antidote to the want of *taste*, the roughness of the tongue (dipped in vitriol or molten lead) and the rudeness of the manners, nor can higher education exorcise the drawbacks or weak points of human character from the mind, which the pride over dramatic success contracts. Such has been the distribution of power in society that a member of the stronger section may consider it his privilege or even his birth-right to run down and blight a member of the weaker section despite his acknowledged honesty and efficiency and to indict him as dishonest and inefficient, although he himself may be notorious for his dishonesty and inefficiency. An offence committed by a resourceful man is not an offence; it is his prerogative. "Right or wrong, Mr So-and-So is strong" is the slogan of his supporters. He can commit a hundred mistakes deliberately but no one can dare touch him, whilst an unresourceful person can commit one single mistake unknowingly and he would be finished at once. According to Sahay, in the first Lok Sabha, members from the rural areas formed 22.4 per cent of the total membership. In the seventh Lok Sabha they formed 38.6 per cent of it. 335 members in a total house of 554 were born in villages but their "attitude of mind" was, to cite Sahay, more "attuned to the old *dharamashashtras* than to the Constitution". They could not get rid of their mental cobwebs or kinks. The downfall of the Congress, the victory of the Janata and the return to power of the Congress during 1977-80 added a new dimension to casteism in the country: The Truth (as contrasted with the Fallacy) of Composition, that is, what is true of the small is also true of the large: the *Micro* as the basis of the *Macro*. More concretely, the enmity between two persons employed in the same office or residing in the same area belonging to two different castes becomes the enmity between those castes in that office or in that area. The rivalry between two political

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leaders belonging to two different castes in a State becomes the source of animosity and hatred between their castes throughout the State, so very coarsening and brutalizing has the influence been, so very infectious has the virus of casteism in post-Independence India been. But not all castes can unite with equal fanaticism or vehemence—some lack guts and leadership and cannot unite at all.[136]

III. Political Realities

Hagen wants a model explaining economic growth to consider economic as well as non-economic aspects of human behaviour because the economic state of a society relates to its political state, and the forces that bring change in the one also bring change in the other. "A theory of the transition to economic growth which does not simultaneously explain the political change, or explains it merely as a consequence of the economic change, is suspect". It is bizarre.

Inkeles and Smith are of the opinion that development assumes, among other things, "a high degree of political maturation, as expressed in stable and orderly processes of government resting on the expressed will of the people". This reminds us of Kautilya's teaching that "progress depends on able and strong, just and honest government".

A strong political leadership is needed "not only to initiate and guide the course of development, but to make it stick", as Heilbroner maintains. It must provide "the impetus, the inspiration—and, if necessary, the discipline—to keep the great ascent in motion". A similar view is expressed by Waterson, "Only a strong, stable government can succeed in economic development planning. In the absence of stability or solvency, the most advanced form of planning will not contribute much to a country's development". Lewis speaks in the same vein, "A political climate of serious concern for attaining economic development is a pre-condition for any plan's success and a plan which clearly promotes socio-political goals is equally a pre-condition for such a climate".

Ilchman and Uphoff advise against pursuing an economic strategy without consideration of the concomitant political, social and administrative requirements, for that would be at once unwise and impossible.

As Mrs Robinson writes, "any economic system requires a set of rules, an ideology to justify them, and a conscience in the individual which makes him strive to carry them out".

In a nutshell, political factors, like social ones, condition the course of the economic variables. As Marshall puts it, "The tone of politics sets the tone of business". "The organisation of a well-ordered state" is "the greater factor of economic prosperity" and is "the product of an infinite variety of motives, many of which have

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no direct connection with the pursuit of national wealth". However, we should not forget that while politics can take command of economics, it cannot obliterate the inexorable laws of economics, if there are any. Politics follows laws which often defy logic. Economics works under the constraints of society and politics.

The age in which we are living in India is the golden age for politicians and bureaucrats (members of the 'steel frame'), businessmen and contractors (the U-sector)[127]. *Politics*, like life, has attained its own level in the country. It is the only standard or stock criterion for supporting or opposing policies. Commenting on the situation Myrdal holds that "all social mechanisms in India operate mainly in accord with the power structure". "India is ruled by compromises and accommodations within and between the upper class and the various groups that constitute the bulk of the upper class. The fact that members of the upper class call themselves and believe themselves to be 'middle class' is not without significance". "India is ruled by a select group of upper class citizens who use their political power to secure their privileged position... They are quick to vote themselves salaries and housing accommodations far above the average. By the bestowal of political jobs and favours and various corrupt practices, they often gain still more advantages from their status as representatives of the people. Naturally, these politicians are reluctant to enact reforms that would effectively curb the power and affluence of the upper classes". Politics is a mint; it is a money machine. It is working in the region of increasing returns and the rate of return or profitability is very high.

We are witnessing in this country at present a state of political obscurantism. *Politicians* generally look for their own individual interests first, their party's interests next, and the country's interests last. They leave no stone unturned to amass wealth and usurp opportunities of all kinds (high positions in examinations, employments with bright prospects, etc., not spared) for themselves and for their kith and kin such that for several generations to come they could enjoy the comforts of life without work and worry. Truth and non-violence are meant for others, not for them. They urge that merit should be preferred and justice meted out. These are the stuff of which their harangues from the public pulpits are composed. But their actions belie their ivory ideals. They have been described as "self-seeking, rudderless and totally without conviction". A large number of the new entrants into politics are not men who are interested in their party policy. They would be hard put to it "to enunciate what the election manifestos of their respective parties contain". They are in politics in the unscrupulous pursuit of power and pelf, loaves and fishes. "The stakes the politicians play are not opportunities to advance the national interest but power, prestige, personal advantage and graft". Their sole aim is to obtain a lucrative office. (chair—*Kursi*) and to see to it that at no cost they lose their office. Their involvement in incidents of moral turpitude, lewd behaviour,

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heinous sex crimes, etc., has been reported every now and then. They subscribe to the Machiavellian philosophy that politics has no relation to morals. These are the leading reasons why their public reputation has dived down a great deal. People feel so much let down and betrayed that they (except those who are close to them) have no faith left in their words and deeds. The non-existence of positive virtues and hence the presence of negative ones is not, of necessity, a handicap in Indian politics. Relatively inconspicuous persons acquire a stature on stepping into high offices. The politicians have debased and devalued politics so much so in the general esteem of the public that it has become a by-word for anything fishy, a term of ridicule, a term used mockingly by the man-in-the-street to have a dig at anybody.

Politicians and vested interests in all walks of life are, more or less, on the same wave-length. A political career is tending to become a hereditary occupation.[138] Someone from the family of the professional politician must carry on the family career. He or she has definitely an edge over others because the family has a foothold in the politics of the constituency. Many politicians, who swear by socialism, boast untiringly of the uniqueness of their families in the country and their role in the freedom movement.[139] Having turned into vested interests the ruling politicians employ every weapon in their armoury "violent repression or constitutional concession or countering, checking, dividing and corrupting the leadership and thereby stemming the advance of the popular movement—that is, combining coercion with concession, maintaining the reality of their power and exploitation, while making far-reaching concessions in form". Blood relationships and old friendships are snapped or bartered away by the supercilious followers of the dead or 'fused' or officially defunct leaders to build up their own political career. The latter rises from the ashes of the former. Political friendship is a fair-weather craft.

The feudalistic politicians have indulged in murders and rapes in towns and cities and have excelled the feudalistic landlords in this activity. Hardened, notorious criminals, arm-twisters, offenders, "toughs" and rogues campaign for the political parties and resort to booth-capturing. They remain safe under the political umbrellas that shield them and give them refuge in different parts of the country. But the shifting sands of such connections are there, for no political party can afford to maintain permanent links with any particular group of criminals and offenders. In consequence, affiliations, affinities or apparent loyalties go on altering under pressures and compulsions. The statement that "Politics is the last refuge of scoundrels" may or may not be true but the fact that it does not call for any prior training is a proven fact.

Most of the differences among the politicians of a political party, the civil war or mutiny or strife, spring from petty personal reasons (that is, clash of personalities), and not from any seminal ideological differences. High-placed politicians wash their dirty linen in public

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with a view to proving that they are right and that others are wrong. Internal mud-slinging or dissidence or rift weakens a political party more than the sabre-rattling or spreading of canards or tirades against it by the gad-flies from outside.

The Indian politicians, when in power, always talk remorselessly about "the rosy situation five years or a decade hence", which sounds like "cash to-day, credit tomorrow" and like tomorrow which never comes. They are short on performance but long on promise. They adopt a soft-pedal attitude. Action is not matched with promise. Feet-dragging is equated with a brisk walk. Simplistic ideas are bracketed with socialism or economic radicalism. The old reactionary forces are not still in full retreat. Our politicians are impervious to even an imaginative break with the past. Their ideas are their obsessions. "The political kaleidoscope, its surface patterns precariously balanced" is " nudged or shaken into new configurations or contours made from the old elements, themselves unchanging". Brave words—gems of public speaking—(such as, "to wipe out every tear from every eye", "benefits of planning should percolate to the common man", "the village folk are our richest heritage", "second freedom movement", and the like) stand proxy for brave deeds. Lollipops are offered to the people who are famished. While the country suffers from a wasting disease, it is treated for a common cold. This is the populist phase of Indian politics and populism, as we all know, is seductive.[140] The politics of socialism or development or economic revolution paved with good intentions is for public consumption; the politics of illusion or capitalist socialism or even fascism in for private chewing. The politicians have one set of precepts for their own practice, and another set of them for preaching to others like the elephant which has two teeth for eating and two teeth (tusks) for showing. By themselves good intentions count for little. Patch-work or tinkering will not clinch the issues. *Alibis* or tall claims will not work for long. Welfare measures within the rubrics of capitalist economic relations are sedative. Hence, either the system must respond to the challenges or be replaced. The pessimism that grips the mind of the people is not the creation of the prejudiced critics of the Government; it emanates automatically from the fact that the political parties and their leaders are dwarfed or humbled by the complex problems of development and change. But the politicians feel that such pessimism is not natural. In their estimate, it has been implanted by the unduly critical sections of society (the heretics, so to say), for instance the press, and that such pessimism borders on cynicism and is therefore an ominous crime. To countervail this, fads and queer brain-waves are circulated by our leaders. These have a reverse effect. They obscure and obfuscate the nagging, baffling, agonising issues. Their inability to deal with the issues perceptively becomes pronounced and articulate. Issues pile up. Wishful thinking preponderates. "Long-term promises alternate with proclamations to serve the contigencies of the moment". The interests of a number of disaffected groups converge. The very bonafides of the

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Government become suspect because of its failure to realize fully that growth is not a fortuitous but rather an affirmative process. The government has come to be run by "excuses and statistics". Projects which have not been based on thorough studies of economic realities are executed for political reasons. Experience has also averred that long-term projects begun by the party in power at a particular time have not been implemented with the usual enthusiasm and vigour subsequently by a different party when it has assumed the reins of the government. It would be like throwing dust into the eyes of the people if those in power talked of completely liquidating poverty, inequality and unemployment and eradicating inflation, injustice and exploitation from our society. It would be more honest on their part if they talked instead of only lessening these evils to the maximum extent possible, and it is by this measuring-rod that their success or failure as administrators should be judged by the people. "People always were and always will be the stupid victims of deceit and self-deceit in politics" until they learn to discover the interests of some groups behind opportunistic slogans, catechisms, shibboleths, declarations and promises of all kinds. The enlightement and the organisation of the sufferer and the oppressed would act as a panacea and be the first remedy. As the adage says, "Light is the sovereign antiseptic and the best of all policemen". Of the three—impoverishment, greed and disaffection of the people—the last is the worst since it provides a handle to the eneimes (Kautilya).

For any political party in India "for reasons of political interest, if on no other grounds," as Frankel writes, "it will be increasingly impossible to maintain the separation between issues of social reforn and principles of political organisation".

The political behaviour of the masses is largely controlled by individual personalities who appeal to religious sentiments, caste, or to regional loyalties and antipathies—the only pair of glasses they wear. The average citizen has little interest in democracy, Constitution or fundamental rights. "It is no use blaming the elected politicians all the time for our ills. Those who vote for them are really at fault. They cannot snap their nose to spite their own face. Every citizen must realise that his vote is a powerful weapon with which he could mould the destiny of the nation. "India's parliamentary system has proved to be remarkably stable, but it is the stability of stagnation". The only security against political slavery in our country would be "the check maintained over the governors by the diffusion of intelligence, activity and public spirits among the governed", as Mill advised his own people in his day. As of today, the interests of many are sacrificed at the altar of the ambitions of a few in India.

Those who love their country deeply are greatly concerned about its future. Nothing is so good in this country that it cannot be improved upon and no system in it is so perfect that it cannot be modified. The political will is lacking. But the tinge of dsepair is not

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needed. Both pessimism of the mind and pessimism of the will have to be meticulously shunned. India has withstood several strains and stresses since Independence. Its capacity to outlive all vicissitudes has demonstrably stood the test of time. It needs able, high-souled and high-minded leaders[141] for its renewal. "A leadership, itself clean, and therefore capable of combating corruption; itself law-abiding, and therefore able to inspire a respect for the law; itself democratic, and interpreting that commitment in terms of human rights and concrete opportunities for the least privileged" (Sahgal). Such leadership must work for "all kinds of mental culture and moral and social progress" and try to improve "the art of living" of the people alongside of their "art of getting on" (Mill's phrases). Moral leadership is needed to clean "the Augean stables of the unprecendented corruption and degradation which have become the hall-mark of our public life and administration today" (Palkhiwala). As Bowles expressed the hope, "If the leadership can communicate a sense of purpose to the people so that it becomes a treasured national possession of them all, the battle for the development can be won." Persons of character, competence, compassion and unimpeachable integrity should sit at the helm of affairs at the Centre and the States. We want good men first and good laws afterwards. Nothing should be politically right that is morally wrong. Either our moral character should change for the better or everybody should become immoral so that there is no room for criticism or complaint of any kind. And the concept of morality should be defined anew in the light of the people's altered attitudes.

In his *Lectures* Smith is emphatic that "politicians are not the most remarkable men in the world for probity and punctuality". For the professional politicians, politics is "not only their bread and butter but plenty of rich jam too". This is revealed in their lavish, ostentatious life-style and riotous living like the Mughals and Maharajas of the by-gone days at the expense of the people, compounded by their malfeasance in public life. In India politicians of no political party enjoy the reputation for freedom from the taint of corruption. Masani adjudges them as "beyond repair". They are not suited to fill posts of public trust. The corrupt draw their sustenance and support from the fact that in so far as their bosses are themselves corrupt, they cannot be punished or proceeded against.

The state in India set out to assume wide powers of control and to build up the public sector "not only to capture the commanding heights but also to use them as a countervailing force against private greed in trade and industry". But the result in the course of time has been otherwise. The greed has been transferred to the controllers of the political and administrative process "with politicians directly encouraging private profiteering by offering whatever protection they can provide in return for a share in the spoils both for election purposes and for their personal enrichment". A new breed or vintage of intermediaries has been created—all mercenaries, being part and parcel of a system having its core, zone of influence

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and fringe ends. Contrary to the unswerving faith affirmed by the champions of socialism in this country, their progressive elimination has not followed. We are instead noticing a new conservatism of politically captured power and pelf as well as pursuit of personal ambition. One offshoot of this tendency has been the earning by the politicians (or their offspring) of the wage of their our sacrifices or of those of their "illustrious" families during the freedom movement but even in this the resourceful have pocketed a lot more than they deserved, while the resourceless have gone with little or nothing. It would be more proper to call this wage their monopoly rent or profit. After all, there is no opportunity which most of them forego. Their entire income is rent or surplus or an unearned increment which they collar.

There has taken place a vast increase in the strength and resources of the government but surely not in its probity and usefulness. Power and privilege have both been abused. Organised political *corruption* has been one facet of the "soft state", which generally connotes a lower level of social discipline, as noted intuitively by Myrdal. The officials and politicians who operate the controls have imbibed a vested interest in their preservation and further proliferation. Corruption has become institutionalised. "In a setting where caste, family, economic and social status, and, more generally, 'connections' traditionally mean so much, the risk of collusion is greater—and it extends from the upper strata in the capitals down to the villagers. The result is often plain corruption". "Whenever discretionary power is given to officials, there will tend to be corruption. Corruption has spread to the courts of justice, and even to the universities".[142] Corruption has become "a major lubricant" of the political system from the lowest to the highest rungs of the ladder. It has assumed gigantic proportions. "In the background are powerful big business interests, who provide the necessary funds for political activity. Long experience has taught them that radical declarations can act as tranqillizers for the radicals and as substitutes for action". We have not to dig deep for illustrations. Since it costs thrice more to move coal by road than by train the businessmen in India have been reported to have paid the "slush money" from Rs 50,000 to Rs 1 lakh per railway rake to get them allotted by the high-ups in the Ministry of Railways. In the issue of permits for bus transportation, coal depots, for cement and other building materials, molasses, *kendu* leaves, etc.; in the allotment of plots of land and built flats and houses (a fair percentage of which has gone to the friends and relations of the ruling politicians) the rate of bribe has been very high. Co-operatives in States like Maharashtra have invested small groups and individuals with vast power, who by having links with the ruling party, influence high politics, breed corruption, nepotism and "economism". The co-operative bosses "mint money, foster criminals and flout the laws in the name of the poor.[143] A "nexus and quid pro quo" has been established between the allotment of favours to and receipt of donations or bribes from private parties by the

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members of the Government in certain States. The rule of thumb has been substituted for the rule of law in several cases. Surrounded by bands of crazy sycophants (in stray cases constituting the "kitchen cabinet" or the "inner circle or ring") the ministers have kept them pleased with favours and concessions at the cost of merit and integrity. To buy more and still more political support[144] the size of the councils of ministers has been increased and the posts of chairmen of umpteen corporations and boards have gone to the ruling politicians in an ever-increasing number. Committees have been appointed to accommodate persons who have served the private interests of the ruling politicians. The fact that corrupt practices have become highy profitable has given rise to a large number of intermediaries or middle-men who act as brokers between the bribe-taking politicians and officials and the bribe-giving parties and who charge a fee for rendering that service. To sum up, anything can, and does, happen any time anywhere, only if money is spent. It is now a hundred times easier to do or to get done a wrong thing. It is now a hundred times more difficult to do or to get done a good thing.

It is not only the politicians who are to be faulted for the rampant corruption in the country but also numerous civil servants—the high echelons and the top brass in the services—who have "cupboards chockful of skeletons". "One act of political corruption gives rise to many acts of administrative corruption[145]". In other words, not all civil servants are "lily-white" and not all politicians are "jades". The bureaucrats' disposition to take advantage of the politicians' weakness and the businessmen's greed is there. Over the long haul of their career some civil servants have cultivated the galling art of maintaining secrecy, which begets corruption. It yields power of patronage. Certain businessmen and industrialists are stated to be more up-to-date on information of strategic value than even the members of Parliament on account of their intimacy with the civil servants. They have it from the horse's mouth. The fear of sabotage by the bureaucrats hangs like Damocles' sword over the heads of the corrupt ministers and politicians holding exalted offices or in unpopular governments.

Some politicians argued in 1981 that corruption in the country was not a national but a personal issue. By the same token, others advanced a novel interpretation of corruption by drawing a distinction between personal dishonesty and non-personal dishonesty and between personal corruption and non-personal corruption and from that they inferred that "misuse of political authority" by the ruling politicians for collecting funds for their private or privately floated trusts was not personal dishonesty or corruption, provided those funds were meant for the poor and the needy. On this logic, one may be given to wonder at the misuse of authority by the politicians, teacher politicians also joining the troop, for such petty acts as manoeuvring for their mediocre relations top ranks in the examinations and lucrative jobs in the institutions, private and public, and handsomely

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rewarding the abettors (even if they might have given evidence against some of them before commissions of enquiry in the past years) with appointments and nominations in the Government and elsewhere or getting their trashy, moth-eaten works (written mostly by their hirelings, though unacknowledged) published and sold in ways surreptitious and reprehensible, or insuring their own future by getting institutes, technical and professional, founded in the names of their patrons or late relations financed partly from huge donations raised from the obliged economic offenders and partly by the Government and managed by themselves and their henchmen, or by converting competitive posts into promotion posts and liberalizing the qualifications required for them (posts on which some of them hold lien while being members of the legislature), would be regarded as deeds of personal corruption or not. An impression got strengthened in 1981 that misuse of office was condonable and no retribution was required as it suited the ruling party's political expediency, even though for similar offence the officials might be prosecuted at the behest of the state, and consequently fined and jailed.[146] This philosophy was in unison with "the old Hindu system in which both norms and laws differed with *varna* (caste)" (*Statesman*, Delhi, 26.11.81). "Discrepancies in attitudes and the implicit prevarication" became unavoidable when the ruling politicians tried to defend the indefensible. In theory, the minister held offices of trust by consent and for a limited period of time, during which even the exercise of discretionary authority by them had to be in the national interest and above public criticism and accepted as such by the voters who comprised an authority superior to them.

Not only a large number of the ruling politicians but also some journalists have been used to raising an outcry against the exposures of corruption on the score that they weaken and enfeeble the moral fibre of our society.[147] But this is "strange logic" and it amounts to the acceptance of corruption as "a means of survival". In truth, the exposures build up a moral climate against corruption. In retort to this mentality of some journalists, other journalists have confessed that in this country there are many journalists who write for a consideration and for ulterior reasons and defend the most corrupt officials, politicians and businessmen (the jute press, as they were branded). A steep fall in the professional standards of those pressmen, whose actions smack of casteism and partisanship, sensationalism and parochialism, is noticeable. Such pressmen do not expose the corruption and malpractices of their caste-men and appeasers but they falsely malign and slander persons of other castes and their non-appeasers. They are susceptible to pressures. One form of this discrimination is the complete black-out in the local, caste-dominated newspapers of the news about and the views of otherwise important persons because of the caste or regional prejudices of their editors.[148]

It has been suggested that the politicians should keep their hands clean in regard to money, appointments and transfers, that

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they should not use the apparatus of the state to promote dynastic and caste interests. The personal assets of bureaucrats, members of Parliament and State legislatures, and party functionaries occupying high offices, such as chairmen of corporations, boards, etc., should be open to public scrutiny. The assets should include those of the entire nuclear family. The "shameless bilking of industrialists to swell party coffers" and the "official encouragement of black money by the political parties that accept tainted money in cash instead of insisting that contributions be made by cheques" must stop. The party funds and the party membership should be subject to audit, and the audit function should be entrusted to the Election Commission.

There are three major qualities which citizens look for in their government. The first is that the government should be representative. The second is that it should provide a reasonable degree of stability. The third is that it should make adequate provision for the future. In certain countries "where representativeness has led to confusion, standstill and indecision" there has often grown up "a feeling in favour of stability and certainty, even at the expense of representativeness". The people's reaction against the Janata Rule in India during 1977-80 is a case in point. In 1977 the people wanted a more representative and less repressive government. In 1980 they wanted a government which was against hesitation, delay and uncertainty in the framing of policy and in favour of stability, firmness and timely decision. It is necessary that those who constitute the government are honest but for sufficiency they must also be competent and committed. They should have the heart to suggest problems and the intellect to solve them. Not only should there be a government that works but also those who form it should abide by a well-defined code of conduct. "The root of wealth is activity; that of evil inactivity" (Kautilya).

Our political life has been rapidly experiencing a discernible dent in its standards. Legislators who could not even "sign" their names correctly have held ministerial posts in some States. The level of debate and the pattern of behaviour of our elected politicians are shockingly poor, pedestrian and parochial. The newspapers have regularly carried out reports on want of decorum and decency and the use of an unparliamentary language in the legislative bodies. Some of the people's representatives hardly possess "the mental aptitude, intellectual equipment or even educational qualifications necessary for a legislator".[149] There is a general feeling that the quality of the country's legislators has been going down ever since the dawn of Independence. Frequent and mass defections of the elected members of the legislative bodies from one political party to another, resulting at times in the toppling of a government, the ever-increasing number of turn-coats and the melting-pot character of the political parties testify to the lack of loyalty on the part of the concerned politicians to their original party and hence their lurking ambition

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to further their personal interests. There is no Invisible Hand to moderate the tyranny of the fence-sitters and defectors (the little Sultans in politics, who unsettle the balance frequently, such is their "importance of being unimportant" (Marshall's phrase).[150] The majority of the representatives of different political parties in the democratic bodies "practically" do pretty little after they have been elected to them for the social and economic uplift of their constituents. They do not even purvey their constituents' messages to the Government. There is no feed-back. They remain inaccessible and unapproachable to them and do not treat them (including even the best educated and socially well-placed ones) with the barest courtesy[151] despite the facilities of franking, indemnity and reimbursement extended to them by the Government from the public exchequer. But they do not fail to swing into action as soon as a fresh election is announced with all kinds of promise and assurance (to be forgotten even before the results are declared and to be succeeded by bluffing), wooing assiduously even the poorest and the lowest among their constituents and exploiting their gullibility. This is the only occasion when a meaningful empathy and rapport between the constituents and their representative takes place as a follow-up or fall-out from his bursting in upon his constituency. The Government starts distributing money and ration among the voters to purchase their support. The ruling politicians announce launching of various schemes on the eve of elections even without prior budgetary sanction for them to sway votes to their side. Actually, public expenditure has tended to be correlated with the electoral advantages of the constituencies. Official authority and machinery are misused. Corrupt practices are taken recourse to. Money power reigns supreme. According to an estimate made in 1981, the cost of an election to a Parliamentary constituency was of the order of Rs 5 to Rs 20 lakhs and to a State Assembly between Rs 1 and Rs 5 lakhs. Lobbies of landlords, blocs of businessmen and industrialists contribute several crores to bring about the downfall of one government and the rise of another. Huge funds in the hands of particular political leaders with penchant for political horse-trading play havoc in party politics in the States concerned or at the Centre.[152] A good many representatives of the people in the State legislatures and Parliament are not known personally to the majority of their constituents and have to seek the intermediation of agents, who campaign for them, more so when they come from outside the constituency. Bogus voting has been increasing because many voters do not cast their votes or are not allowed to do so by interested parties. A tangible trend in elections in recent years is the erratic behaviour of the Indian electorate like the Indian monsoon.[153] Besides, the changing age-composition of our population indicates why the relative importance of the youth and the old in our social and political life vis-a-vis the middle-aged is steadily rising.

It is necessary to curb the power of money in elections and to secure the participation of decent, talented and capable individuals

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in our political process, policy-making and administration. It is also necessary to cultivate the "qualities of restraint and moderation and a spirit of accommodation and compromise" to make our democratic system work.

A latter-day development in Indian politics is the glorification ("annointing" or "grooming") of the children or spouses of the front-rank political leaders (the political lords must be worshipped[154] along-with their whole ilk) and their assured niche in politics and hence their domination in party affairs and administrative matters. They become heir-apparents,[155] whatever their personal worth, more so when they enter the legislative bodies or the party executives. They are "deeply and extra-constitutionally involved in the decision-making process". They publicly express views on national and regional issues, listened to with rapt attention by milling crowds at public meetings, often arranged at the cost of the public exchequer, as authentic heralds of those of their parents or spouses. Short of this naval cord, they would be of no moment. "Right now these are treated as words of command". They publicly eulogise or denounce the ministers and party functionaries and thereby make or mar their career. Commenting on the discrimination based on power and the dichotomy in our national life, Sahay writes, "A Prime Minister's son...can exercise extra-constitutional authority and get away with it...A Cabinet Minister's son may live with his father, indulge in questionable activities, and still hold his head high...All this is forgivable...the influence matters." One reason why the children or spouses of the topmost political leaders become more prominent and more widely known to the people compared to several far more competent and senior persons in politics is that their views and activities are covered extensively and regularly by the press itself, contrary to its own avowed profession. The press would not let alone even those who hate publicity and fanfare, pomp and show. The outcome of this is the creation of a halo or glow of extra-ordinariness around them.

Antagonists point out that the Indian polity has developed into "a form of personalised rule". Theoretically, there is a clear-cut division between the three organs of the state but, in practice, the executive has overwhelmed the legislature and December 1981 Supreme Court judgement gave the executive a virtual *carte blanche* to refashion the judiciary.

Can we possibly imagine or project a model of the ruling political party in India in the years to come from the trend that we notice today? Within the executive, the leader of the ruling party may gather to himself so much power as to make a mockery of the concept of collective responsibility. The personality cult may be loudly decried but may be sedulously and zealously cultivated. The Prime Minister or Chief Minister may become the *sanctum sanctorum* of the party politics at the Centre or in the State, as the case may be, to whom all others must offer unqualified obedience. All may believe

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that there can be no alternative to him at any time. Consequent upon this centralisation of authority, the ministers may be reduced to big zeroes, to the status of a post office, be totally emasculated and atrophied, and become puny and supine.[156] It would not be the legislators who would decide who their party leader and hence their Chief Minister would be; they would instead authorise the Prime Minister to first 'appoint' their leader (coming of, if possible, their own caste or 'class') and then they would formally 'elect' him. The Chief Minister would publicly acknowledge that he is in office because the Prime Minister has confidence in him and will be in office so long as the Prime Minister wants him despite opposition within his party. He would regard himself as a mere "soldier" or "follower" of the Prime Minister. All his major decisions would begin and end at the door-step of the Prime Minister's house. He would go on chanting his loyalty and gratitude to the Prime Minister day in and day out. His autonomy would be valid only to the extent that it was approved of by the High Command of his party at the Centre, either headed by the Prime Minister or the Prime Minister being its most important member and deciding its composition. Who will be members of the State Council of Ministers would be decided by the High Command. The Prime Minister would have a free hand and through him the Chief Ministers, too, within the limits set by him. The main office-bearers of the party in the States would be selected by the High Command. Such would be the electoral process, such would be the umbilical cord binding capitalistic-cum-feudalistic interests and political interests that it may have perforce to shield the corrupt ministers and other party functionaries and dismiss even well-founded allegations against them by the dissidents as only conspiratorial tactics. The party members would be warned against criticising the decisions of the Government and the High Command and those who do not refrain from so doing would face expulsion. The party may suffer split after split but the splits may be welcome if they promoted its like-mindedness. This centralisation of authority may make competition for power "all the more tempting and devoid of scruple and add to corruption". A minister would hold his office only so long as he raises funds for his Chief Minister and a Chief Minister would hold his office only so long he raises funds for the Prime Minister, and the funds would flow through pipe-lines into the party coffers. No Chief Minister or minister would be allowed to strengthen or popularize himself. Dark horses will be preferred for the key posts. Appeals to the people for support to the candidates of the ruling party in the forthcoming elections and reports on the marching on of a State economically, politically and socially advertised in periodicals and street posters would carry the Prime Minister's picture inevitably at the top and those of the Chief Minister and the candidate or minister pitch-forked somewhere in them. Unwavering loyalty to the Prime Minister or Chief Minister, as the case may be, would act as a safety-valve against the proven incompetence, ineptness or corruption of any party functionary. Not only would it exemplify "a virtual replacement of

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party democracy by a system sustained by personal favour" but it would also illustrate "the extent to which the basis of a federal polity can be eroded by a combination of over-assertive and stubborn Central authority and pliability of constituent units". More importantly, when a domineering leader, as the centre-piece of the ruling party would be in the immediate as well as the ultimate control of its decisions and actions, the party and the Government would be his captives and the speed of work everywhere would be slower. Absolute submission to the dictates of the apex leader, complete dedication to him, total convergence to his ideas and views on all issues and problems, fulsome worshipping of him as the only national hero or political tender of mass acceptability, out of love or esteem, fear of harm or some other motive, by his followers in speech and in action (may be in thought as well) producing the impression of a concert-show or chorus behaviour may, over time, have such an enslaving, demoralising and dysfunctional effect as it may not be in the larger interest of a free nation. But this may be brushed aside as beside the point and the country may come to be governed by ministries which resemble family trusts that are interlocked. All party-men must accept the candidate nominated for any office by the party leader, even if he is a dolt and a duffer, without any protest.

When a single political party, enjoying a steam-roller or road-roller majority, occupies a monopoly position in the political system of a country, it is prone to excesses and to a proclivity to ride roughshod over the parties in opposition. From this may spring the necessity of carving out an effective, credible and viable alternative to it, for the demerits of disunity can be appreciated better against the norm or frame of reference of unity. The year 1977 saw the unity or merger or coalition of five non-Congress parties as the Janata Party and the nemesis meted out to the Congress Party. But the Janata Party broke up in 1979 and faced a debacle, a rout at the 1980 hustings due to a variety of reasons. In the first place, egos of the leaders of those parties, the clash of personalities, their fool-hardy and goody-goody notions about the extent of their popular base and their standing with the people (despite some of them being broken reeds) were responsible for this. Secondly, their keen interest in preserving the individual identities of their component parties came in the way. No positive endeavours were made for effecting a fusion of the constituents. The unity was under a cloud from the very beginning. Thirdly, representing diverse interest groups, the party leaders could not agree on their economic and the political programmes and perspectives (some of which were at 180° with each other). Contradictions overrode compromises. The party gave the impression of "a motley crowd" or "a club". Fourthly, the party on coming into power gave a loose, weak and inept administration to the country, marked by indecision, inaction and drift, a lack of speed, direction and purpose; in a word, by wobbling. It imparted a fillip to lawlessness and indiscipline. The pace of economic growth slowed down. The men, who ran the Government, betrayed, by and

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large, the same basic infirmities and frailties of human character as those of the Congress Government. They were no more fair-minded, just and honest, nor more above casteism, communalism, regionalism, nepotism and favouritism, nor again, better apostles or defenders of merit and integrity than their Congress counterparts. The charges traded by them against the Congress party were more or less the same as those held against them by the Congress party. They formed no different human stuff, were made of no finer clay and were certainly no better specimens of humanity.[157] All in all, the misrule of the Janata party of about three years far outweighed the misrule of the Congress party of about thirty years. Their trying to be very good and liberal to all sections of the people with a view to highlighting the badness and strictness of their predecessors by the principle of contrasts, so to speak, proved disgusting. The people at large came to think that the Congress party was the only party in the country that could provide a government that could last and work, put down lawlessness and indiscipline effectively, and halt the retrogression that had set in, in the economy. In fact, the Congress party on returning to power, went on placing the blame at the door of the Janata Government for all the ills of the country and for shunting the economy on to a wrong track. This was an exaggeration par excellence and hence unwarranted, for if this were true, then that meant that the foundations laid by the Congress Government in three decades were so weak that the deluge of three years' mismanagement by the Janata Government swept them away completely.

The general, well-digested public opinion in India would favour the re-emergence of the unity[158] (or, what is being nomenclatured as *the rekindling of the 1977 spirit*), merger or coalition of the erstwhile opposition parties, provided their leaders collectively opted for its stability, the prerequisites of which would be the following :

Firstly, they must, to begin with, forge a functional unity and evince a disposition to work together by realising the mutuality of their interest. Their joint action should exhibit an over-all cohesion in terms of an agreed minimum and positive economic and political programme symbolising a consensus on the broad national issues, transcending minor ideological and tactical differences and differences of approach rather than of emphasis. They must decide once-and-for-all to swim or sink together rather than to swim and sink separately. They should desist from behaving as Bourbons, having learnt nothing and forgotten nothing and being again out in the political wilderness. If the unity is not to be indissoluble for all time, at least its break-down should be time-barred through a moral commitment. Only such a resolve would stave off the repetition of the 1979-80 fiasco of the Janata Party. Moreover, only a combine of the leaders of the opposition parties would enable them to measure up to the political stature and public charisma of the leader of the Congress Party, Mrs Indira Gandhi, who enjoys the largest amount of public trust and support. She is respected by everybody in her party for this reason as well as for her experience and wisdom,

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political acumen and perspicacity. She wields an unquestioned and supreme authority in her own party. Her personal stock has been very high with some of the leaders of other parties too either for her heroic deeds or for her progressiveness. At one stage she was extolled to the divine status by both her own party-men and some leaders of other parties as "Mahashakti" (the goddess of power). The existing solidarity of the Congress Party is wholly her feat. These are the redeeming, singular, signal features of that party. And on account of this the destiny of India has been held as inextricably intertwined with that party alone.[159] The leaders in the opposition may toy with the idea of dwarfing or depopularising her but they would not succeed, such is her stature and so resplendent are her stars. Those in her party who over the years have overestimated their political worth and tried to behave as noises (the non-conformists) and finally decided to secede from it have met with their political Waterloo and oblivion. She is like a Titan, a Colossus, who cannot be scathed or smothered by her opponents.

Secondly, the activist members of "the demolition squad," the "betrayers", who used their evil, destructive genius for crisis-brewing and for converting amity into rancour, and who were the conspicuous wreckers of the Janata Party (some have been called "Trojan Horses") must gracefully remain out of the control of the new party until and unless they are forgiven by the people at large in view of their atonement and assurance that the unity would not break up again and the traumatic experiences of 1979-80 not repeated. The crushing defeat suffered by their parties should have had a chastening effect on their mentality and style of politics, especially on those of the deadwood amongst them.

Thirdly, the new unity should not be "a marriage of convenience based on opportunism". The leaders must shake off their angularities and shed their personal ambitions. They must convince the people of their sincerity, i.e., that they want to regain power to serve them better, more honestly, more cleanly and more efficiently than the Congress Government. They should act with logic and sense and use their wits to distinguish between issues and non-issues, and between substantive issues and frivolous issues as well as realise that the general public is at present more concerned over the mismanagement of the economy by the Congress Government, and the growing menace of casteism and regionalism, and the rising incidence of atrocity on the weaker sections of our society[160] than over its alleged bid to subvert and stifle democracy (by which they imply by-passing of Parliament in the matter of announcement of new imposts to augment revenue on the eve of its sessions, stalling of elections, vindictive witch-hunting, thrusting of minority ministries on certain States, snap adjournment of the State legislatures, watering down of the Speaker's office, denigration of the judiciary and intimidation and frightening of the press, accession to foreign interference in the formulation of internal policies, etc.) or to establish a regime of autocracy or authoritarianism, to dilute the Parliamen-

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tary form of government and to foist a dynastic, dictatorial rule in the guise of the Presidential form of government through back-door efforts,[161] and so forth. No single political leader, however powerful and scheming and adroit, can succeed in so doing in India. The attempt of the non-Congress Party leaders to play up mass discontent and disenchantment with the Congress Government by raising bogeys, barking a wrong tree or flogging a wrong horse and unnecessarily tarnishing and besmirching the image of its leadership (even if it is not impeccable) is bound to fail. No useful purpose may be served by it; it may prove to be a pointless exercise.[162]

Fourthly, they must beware of the wily, master strategists in the Congress Party, who are well-versed in the oligopoly and games theories and who by consistently and aggressively sowing seeds of discord among them, would like their unity to be on the rocks at the earliest, for the emergence of a coherent opposition would stimulate dissidence in the Congress Party and exit of the disgruntled from that party to the new party.

Fifthly, the party leadership and the membership of the government should be by rotation among the eligible leaders so that all get the chance to prove their worth and mettle.

Sixthly, reasonable and fair representation should be given to the weaker and more backward sections and the religious minorities and to the south Indians in the party executives and the government in order to allay their genuine fears and thereby to enlist their support. These sections of society are, by and large, with the Congress in spite of the tortures and losses suffered by them from time to time under its rule because they feel that they are still safer being with it than with any other party.

Seventhly, efficient, dynamic and honest persons must comprise the party executive and the government so that the impression that those in the opposition are of lesser abilities and inferior calibres, or even fossilized and spent-up, is erased from the public mind. Talented, brainy and astute men from outside[163] should be encouraged to join the new party and inducted in it.

Eighthly, the leaders of the non-Congress merger should embark upon a programme of mass reawakening. The common people seem at present "to have lost their urge to offer organised protest and instead developed a servile mentality and an attitude of surrender". The misdeeds of the Congress Government and the loopholes in its policies and programmes should be tenaciously exposed. For this a research cell has to be maintained, which would furnish to the leaders facts and figures with which they would refute the exaggerated claims of the Congress Government. Public attention has got to be focussed on the rampant corruption and injustice in the country. The leaders must reply to the repeated charge of the Congress Party and Government that 'the Janata Party and Government destroyed in three years what economic gains the country had achieved in thirty years.' Besides, they must clarify their stand on the Centre-State rela-

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tionship. All this presumes maximum possible field and table work so that the existing chasm between them and the people is narrowed as far as practicable. The voters have to be educated and motivated in order that they eschew their present apathy and exercise their franchise. The rural vote base has to be patiently and painstakingly built up. Rural voters can no longer be likened to dumb, driven cattle. Our politicians must cease to get mesmerised by cities and to suffer from an inferiority complex when confronted with a rural scene. The merger would make significant electoral gains when more people vote. It may take years for the new party to equal the Congress Party in the command of resources whereby votes could be purchased and rigging organised. Therefore, the voters have to be coaxed and cajoled more avidly by the new party. They must be made politically alert, and they must be taught the meaning of misplaced hope.

Ninthly, the merger should avoid hitching its wagon to the stardom of "waves" by creating and riding them inasmuch as the victory achieved through this method is apt to be temporary and brittle. It should instead aspire for sureness and steadiness in the control of votes. They ought to learn from Nature: "*Natura non facit saltum*". Lastly, fads, dogmas and out-moded ideas would not work in the changed socio-economic context of the country, and should better be avoided. The days of nostalgia and day-dreams, of hugging illusions and crystal-gazing are gone. They should know that under democracy the people get a government they deserve.

Our portrayal of the political realities in India would remain incomplete without mention of the growing *politicization of the public services*. The administrators are dwindling influences. They are not known for their power, except as an arm of the political system. The prejudices and preferences of the ruling politicians (which got accentuated in the States after the mid-sixties and at the Centre during 1977-80 because of the defeat of the Congress Party at times) are the principal factor behind the maladministration and the malfunctioning of the governmental machinery and the eclipse of the administrative ethic. The politicians want the administrators to be their plaything.[164] The heads of departments are made figureheads and have to act at the behest of the politicians. They are asked to make exceptions to the rules at operational and personal levels, that is, to differentiate their decision. The politicians, who are supposed to be an agent of the proposed changes, are not prepared to accept for themselves the discipline implicit in it. They expect total obedience from the officials to their authority, even in trifling matters of personal gratification. Disobedience invites immediate reprisals. The politicians are wont to treat the up-right, law-abiding and self-effacing officials under them curtly and boorishly and even to victimise them for not being their rubber-stamps or dummies or for isolated cases of genuine error of judgement or *non-mala fide* decision, compelling them to bear the cross of aspersion on their chest for the remaining years of their career more in disgrace than in stride.[165] They choose to patronise those officials who

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play to their tune, right or wrong, who are past-masters in the art of sycophancy ('polsoning'), who can cut their advice to the politicians' measure, who hanker after propinquity to the reservoirs of power, who, like master keys, fit all doors, who know to run with the hare and hunt with the hound and who allow themselves to be used in political manipulations, accepting various rewards for their sphinx-like silence or connivance or complicity. The ruling politicians practise discrimiation. They see every form of discipline as "social oppression". They secretly incite insubordination, which leads to needless defiance and, insolence and carried to the extreme, results in violence and lawlessness. They talk of merit but spawn and foster non-merit and mediocrity in the name of caste, creed and regionalism which have become co-extensive with political precepts. Hard work, integrity, efficiency, strict adherence to the law, righteousness, abhorrence of casteism, even tact, are non-qualities with our ruling politicians.[166] In appointments, transfers and postings, careful precaution is exercised by them to have around themselves only such officers as belong to their caste or their region or owe allegiance to their caste alliance. In several States "the entire system of administrative and political patronage rests on a delicate balance between predominant caste interests".[167] Lastly, our politicians trust their ears more than their eyes in arriving at decisions.[168]

To cut the long story short, "the science of man is complex and its laws are inexact". Human behaviour cannot be explained or predicted as being simply the resultant of external forces acting on it. It lacks a sufficient degree of orderliness or cohesiveness indispensable for making predictions. It requires reference to motivations, which are inaccessible to direct observation by an outsider, and hence for a teleological rather than a causal analysis. The reactions of an individual in a given situation depend not only on that situation but also on his previous history. The inquirer's familiarity with the subject-matter breeds contempt for special knowledge about it. It impedes objectivity. It promotes confusion between positive analysis and normative judgement.[169] Besides, the character of social phenomena is determined either historically or culturally. Social phenomena have an essentially subjective or value-loaded dimension. The social values to which the social scientists are committed imperceptibly affect their findings and their evidence. Models in economics are proxies of experiments in natural sciences. But whereas experiments produce laws, models produce tendencies. The multi-form reality cannot be reproduced *in toto* in the economist's model, however comprehensive or pervasive it may be, because there are several imponderables. In natural sciences the parameters can be reduced to a small number of natural constraints but not in economics, in which the parameters themselves are in most cases quickly changing variables, relying as they do on human consciousness. In natural sciences the transition from the qualitative to the quantitative method is easy and inevitable but in economics it is either impossible or beset with peril and difficulty. Natural sciences appeal to empirical data

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given through the senses while verifying their theories, whereas economics apppeals to empirical data given through introspection while verifying its theories. Economic interpretation of reality cannot strip itelf of the analyst's bias completely.

Notes

1. To quote Turgot, "God, when He made man with wants, and rendered labour an indispensable resource, made the right of work the property of every individual in the world, and this property is the first, the most sacred, and the most imprescriptible of all kinds of property. We regard it as one of the first duties of our justice, and as one of acts most of all worthy of our benevolence, to free our subjects from every infraction of that inalienable right of humanity." Or, to quote Smith, "The property which every man has in his own labour, as it is the original foundation of all other property, so it is the most sacred and inviolable. The patrimony of a poor man lies in the strength and dexterity of his hands, and to hinder him from employing this strength and dexterity in what manner he thinks proper, without injury to his neighbour, is a plain violation of this most sacred property" (Quoted in A. Toynbee).
2. The degree of abnormalcy has increased owing to the impact the advances in science and technology have produced on nature, according to one theory. In the last 70 years three good monsoons were followed by one bad monsoon. Poor drainage was more responsible for floods in eastern India.
3. Politicians are apt to exaggerate the gravity of the situation. They start clamouring for sanction and release of funds for relief as they stand to gain from them. For them it is always an 'unprecedented' flood or drought; so also for the press-men.
4. The shortage of fire-wood in the rural areas is said to be the 'second energy crisis'. Consequent upon deforestation and reckless felling of trees in many parts the time spent on gathering fire-wood and fodder has risen four-fold. A generation ago it was an hour's labour per day by a family; now it takes nearly four hours.
5. Agriculture consists in distorting the natural economic systems of an environment in favour of man. While it means co-operating with the known laws of nature, it also means profound intervention in the ecosystem (K.E. Boulding, *Economics As A Science*, New Delhi, 1970).
6. "While it is true that those institutions tend to survive which have the greatest faculty for utilising the environment in developing their own strength; it is also true that, in so far as they in return benefit the environment, they strengthen the foundations of their own strength, and thereby increase their chance of surviving and prospering" (Marshall, *Industry and Trade*).
7. More than two-thirds of the marketable surplus is produced by large-sized holdings.
8. Between 1967-68 and 1976-78 India's growth rate in foodgrain production was the slowest among its immediate neighbours in South-east Asia, except Nepal.

Cheap and renewable organic manures can help us in augmenting food production. Organic wastes and weeds should be ulitized. Organic recycling will facilitate conservation of energy.

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But even at that rate there was some progress, as the data given below would show :

(a) Net Per Capita Output of *Foodgrain Per Day* (in India)
1971-76 . . . 430 gm
1976-81 . . . 455 gm

(b) Average Availability of Foodgrain *Per Adult Per Day*
1971-76 . . . 582 gm
1976-81 . . . 607 gm

The excess of (b) over (a) is explained in terms of the imports and the up-keep of the buffer-stock.

In 1980-81

68 per cent of the total population consumed foodgrain at the rate of	693 gm per adult per day.
10 per cent of it	504 gm ,, ,, ,, ,,
22 per cent of it	398 gm ,, ,, ,, ,,

So while 78 per cent consumed 86 per cent of total foodgrain production, 22 per cent consumed 14 per cent of it, which fell short of the minimum nutritional norm by 22 per cent (R.K. Choudhury, *Statesman*, July 19, 1982).

The criterion of defining poverty adopted by the Planning Commission has changed from Rs 40 income per head per month to a per head per day money expenditure that ensures a daily calorie intake of 2,400 in the rural and 2,100 in the urban areas.

The 22 per cent of the total population under the minimum consumption norm represents that substratum of our society which harbours the idle poor. Men and women will starve but they will not accept work outside their homes nor do menial work proscribed by customs and religion.

9. Tenants on short and insecure tenure have every temptation to exhaust the powers of the soil and to refuse to undertake the needed long-term improvements.

10. Assistance to the small and marginal farmers at the end of March 1980 was about one-fifth (Rs 680 crores out of Rs 3500 crores advanced to agriculture). The establishment of the NABARD (in 1982) is a great event.

11. Since nearly four-fifths went to the bigger farmers, they were the main defaulters.

However, the share-croppers in some States, who were advanced loans under the Crop Loan Scheme introduced in 1979 to free them from the clutches of the money-lenders charging exorbitant rates of interest for loans given for purchase of inputs and consumption and to provide them with purchasing power for their subsistence in the interval between two harvests, by the commercial banks, cooperative banks or rural banks, the State Government paying the interest on behalf of the loanees, were among the defaulters, more so when they were the victims of the "acts of God".

In States like Bihar 80 per cent of the loans advanced to the poor by the banks at the nominal rate of interest of 4 per cent per annum are underwritten by the Government. But most of the loans become "bad debts", never to be returned. Everybody knows this. This knowledge is the motive-force behind a racket that has sprung up—the loanees, the intermediaries and the bank staff minting money illegally through paying and receiving of commission, which is a polite term for bribe. There is a wonderful comradeship among these people (see S.N. Jha, *Searchlight*, April 4, 1982).

The Government officials are past-masters in cooking up statistics of the planned outlays and the targets achieved on paper as well as in swindling the funds sanctioned, which they share with their political godfathers.

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The *20-Point Programme* has become a farce, (see S.N. Jha, *Searchlight*, June 27, 1982).

12. The cooperative movement has failed to strike any roots as the poor man's movement and to make an impact at the grass-roots level in large parts of the country and is fraught with bogus societies and bogus membership, especially in co-operative farming, water resource development and utilisation, agricultural and cottage industry marketing, etc. In some parts where it has succeeded in both senses it has allegedly become an instrument of economic and political domination and corruption in the hands of the powerful few (viz., big farmers, private traders, labour contractors, house-builders, etc.) in sugar, milk, cotton, edible oils, marketing of wheat and rice, consumer co-operatives (especially the supermarkets), labour and housing co-operatives, etc. It is not the inadequacy but rather the excess of the Government support to the movement which has spoiled its leaders and followers.

13. Another study puts the figure for that year at 27 per cent. In 1960-61 this share of agricultural investment in total investment was 17 per cent of total national investment. In 1970-71 it had risen to 19 per cent. During 1970-79 the average annual rate of growth of Indian agriculture was between 1.5 and 2.0 per cent.

    Those dependent on agriculture were certainly poorer than before because its relative share in national product had fallen, whilst the precentage of population engaged in it had fallen less.

14. The Ministry of Rural Development in one of its annual reports admitted that the programme still touched only the fringe of the problem because of certain snags, viz., (1) Disintegrated implementation and apathy to a collaborative approach, (2) Piecemeal conceptualisation of the felt needs and the problems of their development, (3) Lack of comprehensive formulation of plans, (4) Scattered dispersal of funds, (5) Lack of timely supply of inputs, (6) Non-maintenance of the durable assets built with the drought-prone areas programme (DPAP) funds by the State Governments, (7) Frequent transfers of the field functionaries and (8) Lack of the needed commitment among the field workers.

15. Whilst the FWP was confined to areas selected on the basis of very high incidence of unemployment and underemployment, the NREP covers all blocks of the country.

16. The principle of sharing the expenditure on this Centrally-sponsored programme equally as between the Union and the States places the poorer States in a difficult situation. This is true also of other Centrally-sponsored schemes.

17. The Asian Survey of Agrarian Reforms and Rural Development conducted by the FAO has identified the steady decline of the marginal farmer to the subsistence level and then to the status of landless labourer as being caused by the fragmentation of holdings and increased sales of land to rich farmers because of inadequate resources.

18. Incidentally, in 1982 the 4 million agricultural pump-sets in the country worked at 25 to 30 per cent of their capacity owing to the erratic supply of energy. Due to prolonged excessive heat consequent upon delayed monsoon in several regions, the water table goes down, with the result that the motors of the tube-wells cannot pump out enough water from them.

    The diesel operated pumps do not work normally when the supply of diesel is interrupted.

19. Primarily land disputes and secondarily family feuds are picked out as the chief reasons why the rural people become dacoits in India.

20. Their output is price-elastic. Their prices have profoundly affected their production in recent years and the *Cobweb Theorem* has been valid up to a reasonable extent.

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21. The unplanned growth of numbers is a disadvantage to those who are already there in a poor country. But it is not easy to get the habit of birth control established until people have some degree of security and control over their own lives, that is, until the standard of consumption of the basic physical needs and health and sanitation has already appreciably improved, and people imbued with an optimistic view of the future, and not worn down with cynicism and brutality (see J. Robinson and J. Eatwell, *An Introduction to Modern Economics*).

In the last three decades population growth has added a *Second India*, equally as big as the first.

22. In fits of anger and altercation the entire caste, community, region, State or nationality is condemned by the warring couples. The family disquiet has an unwholesome effect on the mental and social attitudes of their children.

23. A report from certain districts of Bihar disclosed how the rates of dowry varied category-wise of the boys :

	Rs
Matriculates employed in petty jobs	15,000
Office clerks	25,000
Bank clerks	45,000
Engineers and doctors	80,000
Indian civil service and India police service	2 to 3 lakhs.

Besides, there were other expenses to be borne by the girls' parents. This was in the face of the Dowry Restraint Act, (*Indian Nation*, Patna, June 9, 1982).

Lately, in some districts of Bihar armed gangs were hired by the parents of girls of marriageable ages/of the girls whose marriages were already settled but could not be performed because the parents of the boys demanded such high dowries as they would not afford to pay, to abduct suitable boys/the boys, who were to marry, and the marriages were formalised at gun-point, and the grooms' parents forced to recognise the marriages (*Statesman*, June 28, 1982).

24. *Bride burning* has been in regular news of late.

Increasing consciousness among the married women of their rights is responsible for the accentuation of the problem. The more they raise their heads and voices and refuse to submit meekly to their men, the greater is the backlash from their suppressors. The more they assert, the more they are subjected to harassment, torture and death. They must bring along with them from their parents *gadgetry* like scooter, television set, refrigerator, car and video or face such dire consequences.

A recent survey has disclosed that "an overwhelmingly large percentage of college students see nothing objectionable in the practice of dowry, and, therefore by implication, in its attendant evils . . . dowry atrocities are . . . a symptom of a more serious moral decay in which affluence has only increased greed to such an extent that people who are otherwise well-educated and well-placed react with inhuman savagery when disappointed in their matrimonial expectations. To some extent, this also reflects the increasing level of general violence . . . "

25. The production of 1 tonne of paper requires 250 tonnes of water and of 1 tonne of steel requires 150 tonnes of it, and the refining of 1 tonne of oil requires 180 tonnes of it. We may suggest that the waste water from the industrial plants, after due treatment, should be utilised for irrigating the croplands.

In regions of tremendous population density, water in the main river basins is "the most precious gift of nature", to be treated with all possible care and consideration, short of which they may face a disaster (S.K. Munsi, *Statesman*, June 15, 1982). Water harvesting is a must.

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26. On the contrary, a study published in the *Statesman* (Delhi, May 3-4, 1982) claims the percentage to be high. India spent in 1982, Rs 3,500 crores on the education of 100 million students (3 million being in the universities) taught by 3 million teachers spread over 6,50,000 schools and colleges. Parents spent another Rs 8,000 crores to Rs 10,000 crores to support their children and wards who were studying. The few best institutions, which taught well and taught up-to-date syllabi were islands of excellence, being financially carefree, in a vast ocean of mediocrity symbolised by the great majority of the academic institutions teaching badly and teaching outmoded syllabi. Mostly the children and wards of the resourceful managed to get admitted to them, and it were they who later made a mark in life.

27. On the other hand, for the Central universities and the universities within the backyard of the U.G.C. and the Union Government headquarters, the sky was the only limit; they had the lion's share of funds and opportunities of all sorts.

28. There is a total wreckage of *general culture* which university education, according to Mill, is expected to infuse. Too much familiarisation and fraternalisation of the self-seeking members of the university community with the ruling politicians has resulted in their devaluation and discomfiture. In some States (for example, Bihar) the large-scale resort to the unfair means by the examinees had its genesis or origins in the confrontation between the teachers and the ruling politicians way back in 1974—the teachers' boycott of invigilation work on some ground or the other (its being made unpaid for, assault on some of them, as part of their strike, etc.) and the ruling politicians' resolve to get the examinations conducted with the help of the civil servants and the police force, even by allowing the examinees to carry with them to the examination hall kilos of chits for cheating and copying, so as to maintain the facade of things running on schedule, though exposing the farcical nature of the existing teaching and examination systems.

29. Frankly speaking, they do not now command the old respect of the general public as well. They are disliked for their unreasonableness and shirking of their prime duties. They are unsure of the public support, sympathy and solidarity in their fight for even genuine demands. They are treated with slight and scorn by the ruling politicians. Their general stock with the society is now low.

30. They have been reduced to a minority. They do not enjoy the patronage of the university authorities. They secure a pittance out of the opportunities for self-improvement.

    In several universities the teachers have forfeited the trust of their students to such an extent that internal examinership and assessment had to be abolished in them. Were the old practice to be restored, the students would break the heads of both the university authorities and the teachers.

    In the existing system, external examinership and assessment are concentrated in a narrow geographical area. The universities which till recently were one, now are treated as external to one another for that purpose because they are separate. And favouritism is let loose because the internal teachers can easily influence the external teachers for pushing their own candidates on caste or communal lines.

31. For the sake of illustration it may be pointed out how some persons in the control of examinations are understood to have sold question-papers and blank answer-books to particular examinees, who used them to their great advantage. Connivance at the use of unfair means in the examination halls, grant of long intervals between papers of examination (in some universities an examination takes over a year to be completed and results take from six months to a year from the date of the last paper of examination to be announced), setting of incredibly simple questions, constant revising of the courses of studies, holding of re-examinations (despite

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profession to the contrary), revaluation of already valued scripts (whereby third divisioners become first divisioners—in the master examinations some candidates managed to get marks raised by 10 to 20 per cent in several papers by simply spending money), etc., by the university teachers and authorities are hush measures or gestures to cover up their failures to discharge their duties towards their students. But some students use their teachers wrongfully for the fulfilment of their goals.

It has been taking 8 to 9 years for the students in several universities to complete their master courses instead of 6 years, as before—a convenient way of detaining the unemployed-to-be at college and university !

The university calendar in most Hindi-speaking States is far behind the normal schedule. Very few institutions teach for 180 days in an academic year; most teach for 120 days only or even less.

32. The Government take-over of the private institutions and the accord of parity with the Government institutions (for example, the conversion of the affiliated colleges into the constituent colleges) in States like Bihar led to countless spurious cases through large-scale, last-minute resort to forgery and tampering. Sanction and recognition of private institutions by the Government and the universities for aid and award of degrees had become a money game, pure and simple. The presence of books of blue-prints was a farce, a hoax.

So low had the standards of teaching, training and examination fallen in certain institutions, administered privately or publicly (medical colleges included) that the expert bodies at the national level felt compelled to de-recognise their degrees and diplomas. Bihar and West Bengal came in the forefront. The trend had abated for a time but gathered momentum soon after. Bureaucratic dithering and short-sightedness had added insult to injury. Doctors and teachers lacked professional responsibility and joined hands with professional agitators at the slightest provocation.

Even in the non-private colleges and university departments, either under pressure of students and their guardians or in a vainglorious bid to please the influential politicians and bureaucrats, the principals, the heads of departments, the deans and the vice-chancellors had admitted many more students (several of them absolutely undeserving) than the sanctioned strength, thereby violating the regulations. There was over-crowding everywhere, worse than in the *pathshalas*. They lacked physical facilities and amenities. They resembled the fish market. It was impossible to teach even for a quarter of an hour without being disturbed by noise and all that.

In caste-ridden States like Bihar there were schools, colleges and university departments which were caste-oriented. The majority of their teaching and non-teaching staff and students belonged to particular castes, which were most populous in the areas concerned, and from which came their founders.

A salubrious change, however, was the higher rate of growth of *female education* at all levels even in the most backward States like Bihar. This indirectly provided a sort of future security to the girls after marriage, notwithstanding its value in an economy where the rate of non-employment (Mrs Robinson's expression to describe unemployment in a developing-economy, taking after the Marxian type but distinct from the Keynesian type and even from disguised unemployment) was continuously rising.

33. Previously the acid-test of the teaching profession was the teacher's capacity to impart knowledge. Subsequently it became his capacity to add to knowledge. A golden mean was not cared for in our country in blind imitation of the West. The specialists serving in predominantly research institutes stole a march over those serving in predominantly teaching-oriented universities in filling advisory assignments in the Government departments and the affiliates thereof.

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Research has been commercialised. What used to be an academic pursuit or a life-long posture or mission of a teacher has degenerated into a professional stunt, albeit a cashable bond. It is in this sense that the U.G.C.'s full-throated emphasis on research by the young recruits to teaching has done a great disservice to the cause of higher education in this country. Some universities have become so much enamoured of the research degrees that they have appointed those candidates as lecturers who had low divisions upto their Master degree but had managed to obtain the doctorate degree, in preference to those candidates who had consistently high divisions but no doctorate degree because they had wanted a footing in the world before taking to research.

It would be useful to order an enquiry to ascertain the percentage of the 'rubbish' theses, incorrectly written and composed, being mere copies of other theses dumped in the libraries of the universities and institutes. In a good many cases either the supervisors themselves or outsiders wrote the theses by charging high fees to the mediocre scholars.

Many post-graduate degree-holders, who do not find jobs, engage themselves desperately in research with fellowships or with the continued support of their parents (who feel both helpless and beguiled) as a pastime. In the JNU the drop-out of the students was as high as 39 per cent and expenditure by the university per student in 1980-81 was Rs 11,680.

Even such teachers as were not competent to guide research work under the U.G.C. regulations guided it and produced Ph.D's like the Rotary machiner. Imagine Ministers supervising research work (through deputies)?

Queerly enough, a number of the civil servants, who had no respite from their office work wrote theses (presumably drafted by their staff but certified as their own works by their teacher supervisors) and obtained the research degrees of the different universities. A craze has developed among the civil servants, supposed to be generalists, to obtain research degrees by selecting topics which are of direct interest to the planning department, the specialised financial institutions, the international bodies, etc., so that, later on, by asserting their claim to be specialists, they seize more lucrative posts.

34. At present, in some States a Class II Government officer gets more than a Class I University officer, and a Class I Government officer more than the senior-most University Professor in the revised U.G.C. pay-scale. Likewise, some State Government officers get more than the Central Government officers, being in one and the same class. Those in the teaching profession, whether under the State or the Central Government control, get less in all than those in certain professions other than teaching, under one and the same control or different controls.

35. 200 million tons of industrial waste and 200 million tons of human waste are released into the Jamuna near Delhi. Some of the industrial waste contains cyanide. The chimneys of the Indraprastha power station emit 85 tons of highly toxic smoke per day. The smoke precipitators can reduce this to 5 tons.

36. At times the multiplicity of public agencies entrusted with urban development and planning gives rise to fierce organisational conflicts and misunderstandings and in the absence of an effective co-ordination, problems (e.g., bad roads) pile up.

37. Most of those, who are employed in the cities, decide to settle down in them. People in villages, who can afford them, get houses built for themselve in towns and cities, which have definitely better facilities than villages. First, the free land in cities and then, the lands on their outskirts are used for house construction. Just as land in the classical economics had only one use, i.e., to grow corn, so these lands in cities have only one use, i.e., construction of buildings. Given their limited supply relatively to their demand, they earn scarcity prices—in the nature of rent.

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38. The number of job-seekers had nearly trebled during 1972-81 from 6.8 million in 1972 to 17.63 million in 1981. The educated unemployed totalled about 3.5 million, of which 2.4 million had passed the matriculation or higher secondary examination and over 1 million were graduates or post-graduates and diploma-holders. They all craved government employment because it meant less work but greater security.

39. Some run shops; some work as clerks or tutors; some work in presses; some have a supply agency, some deal in real estate, some rear milch cattle and poultry and sell their products, some cater meals—and in most cases their quarters house these establishments—others raise vegetables and fruits in their kitchen gardens and sell them to their fixed clientele or write and publish *guess* papers, i.e., hack-writing and earn a windfall. Yet others run coaching institutes.

In and around the compounds and corridors of the Government secretariat buildings have mushroomed stalls selling tea, snacks, cigarettes and betel leaf, etc., owned by the employees or relatives of the Government employees.

40. Frustrated youths fell into the traps laid by bogus organisations.

In July 1982 army authorities claimed to have smashed a nation-wide racket of bogus recruitment offices allegedly responsible for cheating hundreds of candidates desirous of joining the army and the navy. Similar rackets for other types of employment were reported from time to time in various parts of the country. Such rackets existed also in the field of marriages of girls with boys studying or working abroad, falsely stated to be earning fabulous sums of money.

41. Because of trade unions, state policies, contractual nature of wage-employment, maintenance of the unemployed by relations and friends, growth of the volume of employment at a leisurely pace, though, and other factors the reserve army of the unemployed has not been able to depress the prevailing wage rates and to hold up their rise. This gives a cruel lie to Karl Marx's forecast. Meanwhile, women had challenged the comparative advantage of men in outside work.

42. The employment exchanges have been directed by the Government to motivate, guide and train; whereas other bodies have been directed by it to provide finance to job-seekers so that they become self-employed.

43. *Pairvi* (jockeying, pull and pressure) determines, more than merit, who will be appointed in the public sector services. The greater the expansion of the public sector and the greater the range of the control of the Government of the private sector services, the greater the probability that *Pairvi*, and not merit, will determine who will secure employment. The control can be exercised by the Government by assisting the private institutions financially or through provision of other facilities or by its sheer political authority. The private employers must submit to the pressures of those who run the Government and employ their nominees, whatever their merit, or face economic sanctions or policing. The ranks secured by the candidates in the written tests (where secret codes are in vogue) are later deflated by marks awarded at the open interviews conducted by the members of the boards in favour of those of the powerful politicians and bureaucrats or their own.

44. In India there is nothing like the dignity of labour. Unemployed workers have their scale of preferences. Certain kinds of work are rejected by the workers belonging to particular castes or communities. They are below their dignity. Only those from the lower castes or communities can do them for their living. Even if agricultural wages are substantially higher than those in the services, many unemployed persons in the rural areas, or in the urban, would not like to take up agricultural work because it is hard and dirty work and has to be done in the scorching heat, in the rains,

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at odd hours, in semi-undress conditions, in the midst of rustics, with hands and feet soiled, and because going to school connotes a degree of sublimation from that level of physical exertion. There are idle poor in India as there are idle rich in the U.K., or the U.S.A. The number of the hewers of wood and drawers of water is on the decrease. Small men, who do not have land to cultivate nor capital enough nor the inclination to go into private business, want to become peons or clerks in the public sector institutions because they have swallowed their pride and abjured their love of independence and want to make a living without having to exert much. The various employment or welfare programmes aim at providing a pittance, and that too irregularly, for which the Government has to incur budget deficits. They are not put to any discernibly productive use owing to the paucity of equipment and finance. They do not build up capacity—their employment creates more consumption expenditure. This is a short-term palliative (to ward off any political disturbance)—an attempt to survive in the short run to be alive in the long run, so to say.

45. It is a classic case of the sellers' market. The employers of these persons know how negligently and carelessly they discharge their duties, how dishonest and untrustworthy they are in money matters, how impertinent and disrespectful they are in their speech and behaviour. Yet they cannot speak even one word to express their displeasure or dissatisfaction for fear they would quit and it would be difficult to find their substitutes. Such is the present predicament of the middle-class families in most parts of the country. They might have helped these menials in numerous ways but the latter forget everything in a trice, so very ungrateful they are.

46. The report of the Backward Classes Commission (1982) points out that there are 3,743 castes (Hindu and non-Hindu) among the backward classes, and that the backward classes are 52 per cent of the country's total population. The scheduled castes and tribes are 23 per cent of it. Thus the so-called forward classes are only 25 per cent of it. The Commission recommends that 27 per cent of all vacancies in the Government (Central and State) offices and in the establishments financed by the Government should be reserved for the backward classes. It observes that any decline in efficiency caused by reservation would be offset by the first-hand knowledge which the candidates from the backward classes would acquire about the sufferings and problems of their own classes. It pleads for ensuring a right cultural environment for the students coming of these classes by the public authority.

47. It is not only in *ad hoc*, temporary public works that such a corrupt practice prevails in almost all States but also in permanent employment, whether in the private or the public sector. The contractors who supply labourers to the mills and factories charge a commission from them. The clerical staff takes its cut. To exemplify, in a municipal corporation the menial staff has to pay every month a fixed portion of its salary to the supervisory and the inspecting staff, who, in return, allow its members to absent themselves from their work for at least ten days in a month, though marking them present everyday in the attendance registers. One person is allowed to work for three and lift the pay for all, and the pay comes to over Rs 600 per head per month. This is known to the upper staff but because of its own weakness or corruption the practice goes on unchecked.

48. Only such Heads as are capable of either harming the interests of or doing favours to their subordinates by going out of the way or enlisting their support and co-operation owing to their strong caste or party base can nowadays command obedience to their authority—written or unwritten—from those serving under them. Acts of omission and commission which in pre-Independence days forthwith invited suspension, dismissal, demotion or censure or reprimand (the code of conduct is still

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there but is made use of in the case of socially and politically weak employees only) are these days connived at or ignored. The ratio between subordination and insubordination at present is nearly 1:3. Were only 2 per cent of the erring employees to be sincerely charge-sheeted, proceeded against and punished sternly so as to be made examples of them, things would unfailingly look up. But, as we all know, such *disciplining* (and without discrimination—during the Emergency of 1975-77 there was some disciplining but it was discriminatory which explains why it was pooh-poohed) is not feasible in the existing circumstances—no political party would like to lose votes and the political parties cannot agree on this issue. The erring employees regard themselves as no less than heroes, given their nuisance value, such is the attitude of the people everywhere. Discipline becomes loose and weak first at the top and that looseness and weakness seeps down to the bottom with cumulative effect, for those at the bottom are prone to imitate those at the top at an astonishing speed and, by the same token, once they get out of hand, they are also extremely difficult to reform later. Discipline in this country can never grow from within; it has to be superimposed. It is, however, not as easy as before to force the many to work for the few. Discipline in the services cannot be maintained when the loss of their jobs is no longer a threat to the employees. One is reminded here of Edgeworth, who thought that the processes of evolution allocated more severe work to the lower classes and less severe work to the higher classes of society but state intervention and trade unionism had dislocated that allocation based on respective abilities and attainments.

If the worker can get his wages despite less work, if a student can get a good degree with less labour, if a teacher can get his salary without having to work for the prescribed hours, why would they care for more work or harder work or even normal work? Only organised protests by a few public-spirited persons against habitual offenders of public duties could improve the given situation. They are sabotaging the effectiveness of the exsiting political system—'the gas is being sucked out of the balloon'.

49. Bribing in India is now a universal practice like tipping in the West. "Out income", as it is called, is of considerable interest to all employed. But so very corrupt, vicious and stinking with graft most of the public officials from top to bottom are that a superior officer cannot take courage into his palms to go aaginst the wishes of the petty clerks working under him in doing even a small favour to a needy, deserving man or in dealing with a matter, big or small, for fear of black-mail or exposure or sabotage by the latter. They have become spineless creatures.

One has to do *pairvi* (i.e., to flatter and to bring influences to bear upon) to get even one's due, lawful things done by the public employees nowadays.

50. Quite a number of strikes start off as a sequel to the rejection by the authorities of the charters of demands, lacking balance and proportion, rationality and reasonableness, and wanting everything from A to Z conceded. Some demands are conditioned to suit the conveniences of certain influential members of the action committees and anybody can see through their game. Such strikes are weak-kneed from the very beginning and have to be called off ultimately, unconditionally without gaining anything more than what the authorities were themselves ready to offer at the outset, due to the tactless and excessive animus shown by the organisers, with the assurance, of course, that there would be no victimisation of the participants. Some organisers, who play the double part, manage to collect their rewards from the authorities all the same.

51. If in private businesses men, starting with very humble positions, reach the maximum points of success by dint of their hard labour, enterprise and speculative faculty, that is believable and there is nothing to be suspect about it. But if in the public services persons, who start their career with a position equivalent to x on the basis of their intrinsic worth and who should, on the same basis, end their career with a position equivalent

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to 3 x or 4 x, attain positions abruptly equivalent to 10 x or 20 x or 30 x, then that is definitely remarkable, but we all know how most of such persons do so on the basis of their extrinsic support, which comes to them in the form of their blood relationships with the top politicians, or their friendships with them, or in the name of their caste, community or region or through bribes. The first lift in career through favouritism has a multiplier effect. It becomes a justification, almost a leverage, for the succeeding lifts. One success leads to further successes. A pig of the size of a hog is natural but not of the size of an elephant. A bumble-bee of the size of an elephant is still more unnatural, to cite from Pigou.

52. Sometimes some of them issue statements to the press (some sections of which take delight in playing up and encouraging indiscipline) against their superior authorities in their capacity as office-bearers of those societies or associations, even if inconsequential or non-descript.

53. The poor countries will grow fast by spending their entire saving on capital formation but they will grow faster by spending it on both capital formation and advance of technical knowledge in appropriate proportions.

54. If prices keep rising at a double-digit rate, while the official rate of interest remains unadjusted to this rise and averages at a single-digit rate, there may be a flight from long-term deposits to real estate dealings and hoards. This tendency may be aggravated by a wide disparity between the official and the non-official rates of interest, a government policy which finances the priority sectors concessionally, thereby encouraging an unproductive use of the advanced finance as well as bad debts by starving the non-priority sectors that are forced to borrow at very high rates of interest, which are just a shade below the rates of return on investment, a fiscal policy which discriminates against saving and taxes real property benevolently but monetary assets rigorously, and so forth. Interest is both a demand price and a supply price, and not merely a supply price, as Robertson would have us believe by undoing our infatuation with Keynesianism.

55. In 1981-82 these units accounted for 48 per cent of the aggregate volume of employment provided by the public sector undertakings.

56. In 1982, 59 of the 389 large and medium sick units belonging to the MRTP companies needed mergering to improve their viability but the actual incentives and the enabling measures, legal and administrative, were halting and hedged in with restraints which often defeated the object. The existence of a large and growing number of sick units in the economy was a disclaimer of the Government's capacity to regulate and develop industry through its licensing policy as well as an evidence of alterlessness and/or heavy—handed management on the part of the banking system (vide K. Rangachari, *Statesman*, July 9, 1982).

57. After the close of the 1981-82 financial year the private sector had a premonition of a recessionary trend in the economy. The re-cycling of the public sector expenditure was retarded by proportionally more investment in the losing public undertakings. Increased oil and defence goods imports had a bad effect. The swelling reservoir of the educated unemployed implied a falling off-take of the products of the urban sector. This off-take by the rural sector too indicated a decrease. A glut in the markets of such goods as cotton textiles, railway wagons, commercial vehicles (including tractors and trucks), steel and fertilisers, if not caused by seasonal factors, then caused by the government controls (price, supply, import, export, etc.) and policies (excise and sales tax) and timing of the public expenditure, was a reflex of a recessionary trend, for tiding over which the business sector raised a hue and cry. The supplies of raw materials and ancillaries were experiencing the secondary effects. The high costs of diesel and spare parts and rising taxation of vehicles had discouraged the truck operators.

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At the commencement of the 1982-83 financial year, industry and trade encountered tighter credit conditions—particularly the engineering units (which had a heavy inventory accumulation)—their buyers were unable to lift the consignment, e.g., commercial vehicles, diesel engines, tractors and electrical equipment. Liberalisation of bank credit facility, which followed, was absorbed to the greatest extent by the fertiliser, sugar and food procurement segments. As a rule, *stagflation* was a perennial dilemma facing the Indian economy. The buyers' markets alternated with the sellers'.

A lower *rate of interest* may serve as a remedy against a recession, to an extent only, provided confidence has not been too badly shaken. The level of the rate of interest plays a small part in the calculation of the prospects of profitability. A favourable state of the market is a symptom of good prospects of profit. Under conditions of an expanding economy ridden with runaway, galloping or hyper inflation, all kinds of property become a vehicle for speculation. Finance is deflected from productive investment to buying pre-existing property for resale. A game of catch-as-catch-can is set up, which is played in an atmosphere of bitterness and mutual recrimination. The problem of saving boils down to the problem of stalling an increase in profits and salaries from leading to an increase in luxury consumption and imports to buttress it and from passing into the purchase of land and gold or deposits in foreign banks (see Robinson and Eatwell, op. cit.).

58. Allowing for reserve capacity, which is a necessity.

59. The technological progress in the consumer goods industries has been slower than that in the producer goods industries and hence costs in the former have not fallen perceptibly.

Rebate is given on the public sector's controlled cloth.

Glut was reported in the sugar industry (for ex., in Tamil Nadu) in 1982. Sugar-cane was destroyed in some parts. The distilleries suspended their operation, being hard hit by high excise levy and gallonage fee, as also due to unsold stocks.

60. The State Governments have also announced a basket of incentives—financial, fiscal (for example, sales tax holiday) and other economic—to promote industrialisation within themselves. But feather-bedding of industries has not achieved any concrete result so far in many States.

61. The ruling politicians of some States can create or complicate problems of other States by having recourse to placatory policies with a view to stabilising their party governments and enlisting for themselves fulsome popularity, notwithstanding the fact that those very policies may distort their Plan objectives and shatter the finances of their States. In certain States in recent years certain sections of the employed people have been pampered too much for political reasons by the over-zealous political leaders and thereby rendered spoilt so much so that they are proving to be their constant headaches —a kind of delinquency. Having obliged them to a fault, they are now finding it at once difficult and risky to adopt a strict and rigid attitude. To illustrate, the teacher politicians in the government of a particular State are understood to have got the mode of appointment of university teachers to the superior posts altered from direct recruitment to promotion and the period of qualifying service fixed at 7/13/18 years (as these alone suited them and their henchmen). This touched off agitations in the neighbouring States and their Chief and Education Ministers were reportedly called upon to encounter them. The matter was reportedly brought to the notice of the Union Government and the Chief Minister of that State was advised not to create bugbears for his counterparts by making path-breaking decisions. When that Chief Minister later felt harried by more demands by the teachers within a year, he was reported to have stated (on June 26, 1982), "Teachers in no other university in India or elsewhere enjoyed such

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facilities as were available to the college and university teachers of (his State). Even in foreign countries . . . such time-bound promotions and triple benefit schemes were not available to the teachers."

Such became the situation that once a person managed to become a lecturer (no matter through back-door and irregular methods), he would retire without fail as a reader/professor and draw all the benefits of that post without at any stage facing the selection committee. In an adjoining State this facility was devised in the delusive, almost paradoxical, garb of 'merit promotion', claiming it as an improvement over the method of 'personal promotion'.

In certain universities (both Central and State) the teachers who retired at 60/62 could go on serving under their re-employment scheme till 64/65. This created another ground for discontent among the teachers of other universities who had to retire and go at 60/62.

This theme of inter-State disparities can be expatiated by referring to other areas too. The Indian federal polity abounds with such examples.

62. Including the Heavy Engineering Corporation, the Mining and Allied Machinery Corporation, the Indian Iron and Steel, the National Textile Corporations (capital base=Rs 130 crores, accumulated losses=Rs 230 crores), the Scooters India (capital base=Rs 5 crores, accumulated losses=Rs 25 crores), the tannery and footwear units (capital base=Rs 4 crores, accumulated losses=Rs 20 crores).

The triad of drawbacks of the public sector undertakings is : (1) Idle plant and workforce—excess, underutilised capacity—underproduction—wastage of resources—inefficiency, (2) High price/tariff charged to the buyers and loss of consumers' surplus, and (3) Chronic losses to the undertakings made good by subsidies.

Speaking generally, the public undertakings in India, Central or State, are faring badly because their plants are not utilised optimally. The fixed and the variable factors are not combined optimally. They are either underutilised or underemployed. Their productivities are not maximised. They are low. The costs — production and managerial—are not minimised. Scale economies are either not reaped or, when reaped, are far below the maximum attainable level. This holds good whether it is concerned with the real (production, selling/marketing, and managerial) or with the pecuniary economies. Most of them produce in the zone of decreasing returns. Inefficiencies preponderate. Flexibility and resiliency are non-existent. Reserve capacity either is in excess or is short. The stock-inventory policy is bad. Wastes abound. The basic principles which determine non-monopoly private enterprises in their production and price decisions are conspicuous by their absence. Graft and corruption, fraud and theft, misutilisation and misappropriation, indiscipline and slack and loose administration, favouritism and nepotism, improper accounting and audit, lack of monitoring, imprudent financial management, etc., characterise their working. The choice between their technocratic and bureaucratic control remains undecided. The public enterprises have to be subsidised not because they have to produce under increasing returns but because they sustain heavy losses on account of the factors listed above. Average cost per unit of output at the established factor prices is not minimised. Output is not such that the established product price is equal to marginal cost of its production. Output is restricted and price discrimination is practised not to improve efficiency but to cover the losses. High price and inferior service bedevil the lot of the buyers of the products of these natural monopolies. While general social welfare is their professed goal, they are to contribute to the national surplus in order to speed up economic growth by enhanced capital accumulation but many find themselves in deep waters. Could their ownership by society but their operation by salaried and tenure-post non-government managing agents see them through their present crisis? This is worthy of serious deliberation. This might ameliorate their suffering from the "hardening of the arteries". At

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present the bureaucratic apparatus and the techno-structure consisting of the specialists of all hues—the pseudo-intellectuals providing "a link with the educational system and the media of propaganda"—which has failed hitherto to form "a public opinion congenial to the system" in which it flourishes, have failed miserably to deliver the goods. But in making this suggestion we might be forgetting that when political considerations assume the position of the queen, economic considerations can at most be a prince consort ! Some State Governments have begun thinking in terms of renting their buses, plants and tube-wells to the highest bidders !!

63. Pilferage of goods costing exorbitant sums of money in the public sector undertakings (for example, luxury hotels) is rampant.

64. Those who complained of its inefficiency were advised by the Union Minister in charge in 1981-82 to stop subscribing !

65. So said Adam Smith, "Rivalship and emulation render excellency, even in mean professions, an object of ambition, and frequently occasion the very greatest exertions".

66. On the other hand, the stalwarts among the exponents of indicative planning point to the increased pace of industrialisation and assert that the increased use of incentives in lieu of directives in our recent planning has led to this improvement. The contraction of the role of the public sector in industry is highlighted by the advocates of private enterprise as the chief cause of the increased rate of industrial production.

67. There was no noticeable improvement in the plant load factor in 1981-82, the only reliable indicator of the efficiency of the power system. The plant load factor hovered around 44 per cent. Cracks had already developed even in those States which had a reputation for greater efficiency. Power was becoming increasingly a high-technology area, involving several sub-systems or apparatuses, human and mechanical, the respective failings of which were widely known. In some States (for example, Bihar, see the *Indian Nation*, June 11, 1982) the causes of power shortage were still under investigation.

The growing number of days of closure of the public sector offices might be a handy short-cut to the solution of the power shortage problem.

68. Energy is a primary component of agriculture. *Animal power* is still the prime source of energy (two-thirds of the aggregate) for agricultural operations and transportation between rural and urban areas and within rural areas themselves. This is so because of the existing pattern of land-holding. The rural environment demands that the draught animal be treated on a priority basis and be up-graded to the level of milch and meat animals. Experts have suggested promotion of proper breeding of the donkey and the monkey for transportation even in towns and cities, as is being done in China—an application of the planning technique of "walking on both legs".

69. Where feudal inequities still govern relations between landowners and their labourers, the Naxalites establish their hold through a familiar admixture of terror tactics and expressions of sympathy for the poor. In their combing operations the policemen harass the innocent alongwith the real culprits.

Incidents of open confrontation between the landless agricultural workers and the landlords, ending in numerous murders of the members of both classes, are rife. The former organise themselves under the banner of the Kisan Sabha (aided and abetted by the political activists like the Naxalites and the communists), the latter under that of the Kisan Sangh (aided and abetted by the ruling politicians). Both parties are constantly equipping themselves with fire-arms. The police is not neutral and acts in collusion with the stronger of the two camps and hence fails to arrest

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the worsening situation in the rural areas of Bihar. The rural workers insist on having their minimum wages fixed at 3 kg of rice and 750 gms of *sattu* (powdered gram) as their daily wage per worker. Their employers instead pay 1.5 kg of rice and 500 gms of *sattu* (which in money terms equal Rs 7.5 in April, 1982 in Bihar). Since the majority of the landlords are either small or medium, they are hard put to it to pay more. The statutory minimum daily wage for agricultural labour is between Rs 8 and Rs 9. In many villages farmers face acute shortages of the supply of agricultural labourers. The working class in the rural areas has become conscious of its rights and is fighting for them. In towns and cities literate hands are available for menial work at the daily wage of even Rs 5 in any number.

In some villages the Minimum Wages (Agricultural) Act prescribes $2\frac{1}{2}$ kg of wheat/paddy per day and the produce of 15 *Kathas* of land at every harvest per worker. But the tripartite settlement is at $1\frac{1}{2}$ kg of wheat/paddy per day and the produce of 8 *Kathas* of land at every harvest per worker. In practice, however, a worker gets 1 kg of wheat/paddy per day and the produce of 5 *Kathas* of land at every harvest.

A suggestion made is that the Government should subsidise the difference between the prescribed minimum agricultural wage and the wage which the small farmers can afford to give, block-wise.

The average rural poor are today economically better compared to the average urban poor because their wage-income is higher and their fringe benefits have a higher money value than before. They are now securing employment for a longer period than in the past. They are not now available for certain inferior works either in villages or in towns and cities for which they were available before. Their work-preference has become more refined. They are more after superior work. People everywhere would not like to work if they can fill their bellies by some other means. They use their hands because they cannot do so wholly or by their brain. This tendency is to be seen more in towns and cities.

70. Strikes constituted, on the average, three-fourths of all industrial disputes. The strike in the textile mills of Bombay of 1982 is one of the longest in human history.

71. The terms of trade will turn on a trinity of influences, viz., (a) technical conditions, (b) social conditions in each sector and (c) the level of total activity in the whole economy. They are more than a mere relationship between the price indices of exports and imports. But a managed economy does not leave these terms of trade to the vagaries of the market.

72. In 1981-82 they rose by a little more than 9 per cent over the previous year 1980-81—this gave a single-digit rate of inflation. Could this be a sample of the Phillips Thesis/Curve—the rise in the rate of unemployment causing a fall in the rate of general price-level?

73. The official explanation is that a deceleration in the wholesale prices takes time to reach the retail market. R. Sau (*Sunday*, 18-24 July, 1982) comments, "The weighting diagram of the consumer price index is based on the family budget survey of 1958-59, while the weights of the wholesale price index are based on the levels of national transactions during 1969-70. The consumer price index has a narrower base and quite a different commodity composition. So we have to wait for a while for the consumer price index to absorb the moderation that has taken place in the wholesale price index.

74. In many employments the basic salary is not so high; but the various allowances and facilities which accompany it add up to a very high figure. They are more attractive. They give a big push to the level of well-being enjoyed by the persons concerned. And what is really remarkable about such services is that these accrue to those persons whose educational qualifications are ordinary, whilst persons with much higher qualifications

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receive far less in other services. Moreover, promotion is quicker and more frequent in those services; it is slower and occurs only once or twice in the whole career in others. Also, those services provide greater scope for obliging parties at the public expense, with the result that their members can secure some of the goods and services from or through those parties cheaper, quicker, in better quality, even in periods of acute dearth. This capacity then becomes an important cause of the higher level of well-being enjoyed by the families of these persons. In view of these facts, it would be advisable to have a high-powered permanent tribunal to examine all representations and to make suitable recommendations to the Government.

75. We can illustrate this. We know how the Government nationalised the erstwhile private banks. It took over those schools, colleges and institutes which belonged to private parties. It brought the sick industrial units under its control. The insurance business became a public sector activity. The modes of appointment in all these private sector occupations had been different from those in the public sector occupations. Many persons had been appointed in a manner that could be judged as irregular from the standpoint of the public sector practices. The level of education and training desired in the private units had been definitely inferior. The relative merits of the people employed in the public units were certainly superior. But a parity was established between those two different classes of employments at all their levels. They all became entitled to equal economic rewards. This led to countless acts of forgery on the eve of transfer of employees from the private to the public sector. Appointments were made with retrospective effect by manipulating papers and the beneficiaries had to pay handsome bribes to their benefactors. In a good many cases appointments were made and promotions ordered without there being sanctioned posts even. Things were simply cooked up. Besides involving the Government in increased expenditures, this step cut up the incentives available for superior merit, efficiency and good performance in these services.

76. A salaried middle-class family has, now-a-days, to run as fast as it can in the direction of consumption expenditure in order to stay where it is, like the Red Queen in *Alice Through the Looking-Glass*.

Since labour is still the cheapest factor of production, land has become dearer and capital is the dearest its consumption pattern comprises more of labour-intensive products, less of land-intensive products and the least of capital-intensive products.

But such is the tragedy of the middle class that not only its consumption of the various services (more than that of the goods) has dwindled in both quantity and quality but also their procurement has become more trying.

77. The author would advise the readers to read the concluding chapter of his earlier publication, *The Economics Of A Backward Region In A Backward Economy*, Volume II, Scientific Book Agency, Calcutta. That chapter gives a bird's-eye view of the same problem nearly 15 years ago.

78. Due to hectic competition among various financial agencies, all deposits, collected by banks and non-banks, are highly interest-elastic. The banks have not been permitted to raise deposit interest rates by the same percentage as the non-banks. The result has been a sluggish trend of bank deposits in recent years (see A.K. Ganguly, *Statesman*, June 22, 1982).

79 There is trafficking in drugs even. The "little things" and the patients have to take adulterated milk sold as pure milk at the latter's price. The customers may object but they are told bluntly either to take it or go elsewhere. Pure milk is scarce in supply. The same is the case with ghee, mustard oil, butter, and many other foodstuffs. Even liquors are not spared. The customers feel helpless.

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80. In passing, we would like to predict that black-marketing in cement might get a shot in the arm from the dual pricing policy announced by the Government in 1982. Any ration card holder would be entitled to a supply of 5 bags of cement for annual house repair. This supply might most probably get diverted to the black-market. In addition, the quality of cement supplied in the open market might deteriorate.

81. As the points of collection of indirect taxes like excise, sales tax and octroi increase, the scope for corruption on the part of the traders, government employees and politicians (which has been termed as a *bonanza* to them) and hence black-money is correspondingly increased. The incidence falls on the customers.

82. Those in the 1982-83 budget would definitely curtail the general welfare of their users. Draconian policies will sow seeds of their own break-down by 'putting on the necks of economic subjects a heavier yoke' than they can bear.

83. In Pigou's vocabulary we can say that "the utility of the marginal item of public expenditure" on the impoverished sections is less than "the social disutility of the marginal fiscal imposition" on these sections.

84. In India, the Government, Central or State, is hard pressed for resources, not for misspending and wasting but for productive expenditure. Improvident expenditure is quite large at the Centre. The amount of money spent on foreign travel alone has reached great heights. Costly foreign aid is liberally allotted to the imports, not unavoidable, of goods which include machines and machine parts, which we can manufacture, and colour television sets for the very rich. There are often excessive payments for the Government-account imports. The total direct and indirect Government expenditure on the Asian Games could have financed really essential projects and thus reduced pressures elsewhere (see B. Datta, *Statesman*, July, 30, 1982). According to the Government spokesmen, Rs 1,000 crores or so to be disbursed on *Asiad* will be a productive expenditure. According to its critics, it will be an unproductive expenditure. According to us, it will be partly productive and partly unproductive. If the increased (real) saving by some sections of society is more than offset by the increased non-functional consumption of other sections (the Government sector included), then non-inflationary development will be hard to achieve.

85. The situation at the Centre is not different. While the average monthly bills of the State ministers per head for telephone, electricity and water, for entertainment and travel (domestic and foreign, by the ministers and their staff and/relations) cost the public exchequer thousands, those of the Central ministers per head cost it lakhs.

86. This was retorted to by one of the Chief Ministers of the few States ruled by parties other than that ruling at the Centre in the following terms : It was not enough to ask the States not to over-spend because the Centre also overspent. Overspending by the Centre as well as by the States was for a purpose. The Centre collected money and raised funds from the States. The State Governments could not alone be held responsible for taking overdrafts and contributing to inflation (reported in the *Statesman*, Delhi, June 9, 1982). The Chief Minister forgot, however, that the States were dependent on the Centre for loans, whereas the Centre was not dependent on them for loans, and the creditors have always had the right to sermonise.

87. Having different types of economic system. However, we do not copy or adopt any system *in toto*. This results in an awful mess. We act as if we were still minors needing the paternalistic guidance of the foreigners.

88. One illustration is the "wanton loot" which had landed the State corporations and boards in Bihar in a quandary. In 1980-81 about Rs 12 crores

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had been spent by their politician chairmen and members and their loyal officials on their foreign tours. Furniture and modern gadgets worth more than Rs 20 crores were acquired for decorating their bungalows. In certain States the ministers, chairmen of corporations, vice-chancellors, etc., had got annexures constructed in their private houses by spending money out of the funds of their establishments on the plea of housing the office and the security staff.

89. The breaking of the transport bottlenecks (by building long bridges over the rivers, one shining example being the opening of the Ganga bridge—the world's longest—at Patna in Bihar in 1982), despite its numerous merits, widened this gap with increased plying of automobiles.

90. The yields of the tea gardens had declined over the last several years to nearly 40 per cent of the normal. Practically no new tea bushes had been planted during the past 15 years. Most bushes were about 80 years old. The bushes seldom yield their best after 50 years.

91. In 1981-82 exports of engineering goods from India accounted for 30 per cent of its industrial exports.

92. Uncertainty of quality, inordinate delay in delivery and tremendous unevenness in the standards of our exports explained the sharp fall in some of our exports.

93. In 1981-82 India earned about Rs 120 crores by way of foreign exchange remittances from the Indian expatriates.

94. Our foreign exchange reserve at the end of March 1982 had plummeted to Rs 3,354.5 crores due to a record trade deficit.

95. To finance deficits on either revenue or capital account, countries have taxed their own people and printed their currencies (which some have likened to stealing), borrowed internally and externally, and accepted donations from outside, not to be refunded (equivalent to begging).

96. *Begging* is a fundamental duty prescribed by the ancient Indian religious scriptures.

97. For a rather favourable appraisal of the 20-Point Economic Programme see the author's earlier book, *Problems of Economic Development . . .*, Sterling Publishers, New Delhi. But many decisions have remained in the incubators and have not been implemented. There is much ado about them. "Self-confidence is necessary but it should not go to the extent of self-deception."

98. Mrs Indira Gandhi, Prime Minister of India, has never been tired of reminding us that all the efforts of her Government are " a reflection of the will of the people" (*Statesman*, June 30, 1982).

99. This is for elucidation. Progress cannot be judged by the amount of the Plan expenditure. It is the addition to real capital (creation of capacity), and not the mere transfer of the ownership of assets or the mere transfer of purchasing power, which is pertinent to the issue. It is the impact of the Plan expenditure on the impending problems which is pertinent, and not the mere rise in the Plan expenditure, nor the hyperbolic language in which it is announced.

100. The architects of our national destiny must stop presiding over corruption, characterlessness and casteism and patronise hard work, ability, integrity, and law-abidingness, in which the real talisman of national progress lies.

101. We all inherit from our environment as well as from our parents' genes.

102. Several honest public employees were got murdered by persons facing enquiries or court cases so as to do away with whatever evidence they could give on their involvement in offences and crimes. Records and S.M.S. disappeared

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or were tampered with or destroyed by setting fire in offices so that no evidence remained. Many honest journalists were sacked for exposing the truth.

103. A person having a genuine grievance against some act of injustice or discrimination or harassment done to him by his officer may move the higher officers for redress and/or even endorse memoranda to the highest authorities, feeling desperate over the delay in securing relief or even bare response, only to find that whilst his knocking at the highest door fetches him nothing, that annoys the lower officer so much that he is victimised all the more. Suicide or self-immolation may be the only course left to some in such circumstances.

104. Certain States (Bihar in the lead) were branded as the "sewers" of India, where for every ministerial or bureaucratic decision on promotion, transfer, appointment, etc., a standard price (bribe) schedule was fixed. In Bihar Rs 56 crores were provided in the budget for 1982-83 for old age pension. Out of this amount between Rs 9 and Rs 18 crores were given as bribe to the B.D.O.'s and their staff, on the one hand and the *Mukhiyas* and the politicians, on the other, as estimated by S.N. Jha. But what comes to light is merely the tip of an ice-berg. The authorities turn a blind eye to the goings-on. Power and corruption are mirror-images of each other. Politics and morals are at odds with each other. The Bihar Government decided in May, 1982 to limit the old age pension scheme to only 2 per cent of the total population (instead of to any number, as decided in 1980). As the *Indian Nation* commented, "A huge amount, which could very well be spent on the development of the infra-structure, has been wasted" (June 11, 1982). This was a slur on Bihar's administration. The number of 'dead horses' was increasing rapidly in other Government departments, too (particulary in the Works Department).

105. Corruption has, for one reason, its anchorage in general elections, the sinews for which the businessmen provide to the politicians. Some politicians are now themselves in business. The record in office of no political party is worth example. Corruption is "horizontal" and the country is "floating on it" (as S.R. Maheshwari puts it—*Statesman*, June 5, 1982). Corruption has spread to every part of the governmental apparatus. "So inured have we become to corruption that instead of reacting to it as destructive of all morality and decency, we accept it as a recognised way of life" (B.K. Nehru in his G.L. Mehta Memorial Lecture of 1981). While the government is against corruption, it does not want to do anything against those corrupt persons who command power and enjoy protection of the influential politicians. Nothing ever happens to the politicians indicted by the enquiry commissions and committees for graft and misconduct in the discharge of their public duties (S.C. Kakati, *Statesman*, June 4, 1982). The rule of law has been abnegated. In some States, the Lokayukta or Lokpal disposes of cases of complaints against the gazetted public servants and recommends action against those found guilty.

106. This calls to our mind Mill's remark, "As soon as any idea of equality enters the mind of an uneducated English working man, his head is turned by it. When he ceases to be servile, he becomes insolent". Smith was stunned by 'the hatred of labour and love of present ease and enjoyment' of the lower orders people. Levelling lowers heights but not depths.

Besides the size of the national dividend and its stability being the objective counterparts of economic welfare, the effect of income redistribution (what the Victorians called its *arithmetic*) on the former is no less pertinent. The welfare effect of an income redistribution cannot be examined in isolation from its effects on resource allocation and the incentives and disincentives for work of the different individuals in a society. If income redistribution leads to less work, then total GNP will fall. It may make for a resource allocation which produces a smaller output.

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The debate whether all individuals spend, their money income rationally is still open. A municipal corporation sweeper spends one-quarter of his monthly salary in the very first week on drinks and subjects his family to near starvation after the first half of each month. By contrast, a middle-class employee, say, a clerk in a private or public concern weighs up the pros and cons of spending a five-rupee note, or even a single rupee, on this or that item in a cool, calculating manner. Can we still maintain that the marginal utility of money is constant to all individuals? While the clerk cannot do without a certain minimum level of decent living (he cannot sleep on the pavement or put on an under-wear and nothing else) in addition to a certain level of ordinary living, which social urge is disabled doubly under inflation, the sweeper can do without both and still feel fine. Secular inflation tends to wipe out the large differentials as between manual and mental rewards.

107. The 1981 report of the Central Vigilance Commission based on 9,879 cases completed between 1964 and 1981 in all departments of the Union Government, disclosed rising trends in corruption among their employees classified under abuse of power, disproportionate assets, cheating, making false records, favours, misappropriation of public property, negligence, doing private business, vengeance, and other acts of misconduct.

108. The public sector undertakings and the Bureau of Public Enterprises were not helpful in curbing corruption and malpractices and punishing employees and officers guilty of embezzlement of funds and misconduct.

109. Arms-wielding gangs now attract unemployed youngmen and earn a lot as fees for seizing booths, property like lands and houses, goods wagons, and grooms, etc. Contractors, engineers, politicians and these gangsters are better off today.

110. *Unconditional* surrenders of notorious, hardened dacoits (the V.I.P. criminals) alongwith their gangs to Vinoba Bhave and Jayaprakash Narayan during the early sixties and early seventies respectively and of Malkhan Singh in 1982 had "all the trappings of an extravaganza", typical of the Indian socio-political landscape.

111. Those in power and authority can take the law in their own hands and murder anybody to protect the "honour" of their families and of their own.

Many have been killed not for their own guilt but for the guilt of their forefathers, like the proverbial wolf killing the proverbial lamb!

112. The *Mafia Raj* in the coalfields (especially in Bihar) is protected by the ruling politicians. To hush up investigations against the crimes perpetrated by the V.I.P.'s and their underlings the Government officials are transferred/posted. The share of the loot and plunder reaches those who are supposed to protect the people and the public property.

113. Prime Minister Mrs Gandhi is reported (*Statesman*, July 24, 1982) to have blamed the Janata Government for the rise in the railway crimes because that government had released the jailed railway strike leaders and criminals. For the rise in the crimes against women she is reported to have blamed her 1977 election defeat, following which men felt that they could put women in their place.

114. Recently there have been incidents of indiscipline on the part of the police and the military staff at different places. The police enjoys the politician's patronage in return for its services to them, which partly accounts for its repressive and turbulent mentality—the rumblings of which were heard recently in a few States.

115. A Chancellor of the universities in Bihar in his valedictory address some years ago publicly categorized them caste-wise, i.e., the caste of the majority of their staff—teaching and non-teaching, including the vice-chancellors.

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116. The marginal rate of substitution of the membership of Parliament or even State legislature for vice-chancellorship was high as vice-chancellors kept applying for party tickets. Some University Professors pined for nomination as members thereof.

117. In certain States vice-chancellors had to step down with every change in the Government—in a few, even during the President Rule—on being asked to resign and to go by the Chancellors (the Governors were ex-officio Chancellors) despite the fact that some Governors, like them, were the appointees of one and the same ruling political party and hence wore the same political label, on account of pressure from those of a different political party, which had by then formed the new Government at the Centre or was about to do so in the States concerned. Some Chancellors, who were supposed to function as a court of appeal, proved unusually nosey and were alleged to have behaved like hardened politicians, indulging freely in acts of casteism or communalism, through their interference in such matters as appointment, transfer, admission, etc., inviting at times startling court cases. When a government fell, the new government made scapegoats of the vice-chancellors appointed by the previous government for the deteriorating law and order conditions in the universities in some States.

118. Some, who became vice-chancellors in their own universities but had thus to return to their former, lower posts in them, are reported to have been maltreated and victimised by those who were cross with them and were deprived of the positions they had held prior to becoming vice-chancellors. This was in addition to the mental torture and humiliation they had suffered in the process. Coming as they did from the politically weaker sections of society, they could not secure relief or succour from the normal channels even. Vice-chancellorship had proved highly injurious to them in this way. Others, however, who were politically strong-based, were provided with equivalent or still higher posts immediately after reversion.

119. In some cases such teachers as had misbehaved with their superior authorities or were found by them to be guilty of serious dereliction of duty, and hence charge-sheeted and suspended, are reported to have secured tickets of political parties and successfully contested the elections to Parliament or the State legislatures and even become ministers. Thereafter, they are reported to have settled their scores with their superior authorities, which meant either their removal or their demotion. One teacher M.P. is understood to have brought about the ouster of all vice-chancellors in his State during the President Rule by writing to the Union Government that the continuance of some of them in office was not in the interest of their party because those vice-chancellors were the men of a different party that had ceased to be in power.

Incidents of lecturers assaulting and insulting university professors and principals and getting off scot-free have multiplied in recent years. Some of these lecturers have belonged to their V.C. castes.

120. It is in the hands of these people that the economic power of the universities also tends to get concentrated. They grab permanently such posts and offices (even university quarters are not spared—for years after retirement) —not one but quite a few per person—as are part-time (and carry handsome allowances and perks, without their being ex-officio either), denying others, more meritorious and deserving, the chance of holding them by turn. The total allowances of some teachrrs exceed the ceiling fixed in the Government rules. They monopolise paid examination work in their own universities. They are also invariably on the camel's back doing paid work in other universities, attending meetings of committees, boards, commissions, etc., having been nominated to them by their political patrons—some assignments yielding to them very good incomes—acting as consultants to the private and public concerns on sumptuous honoraria, running and teaching in coaching institutes and reaping large advances,

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and so on. Rules, are violated, normal duties suffer but nobody dare touch them. They run the offices in their charge as if they were private concerns and handle the funds allotted to them so as to optimise their family, caste and party interests. In most cases they have their own relations and castemen appointed to the posts in their departments and offices superseding the better claims of others. In some universities full-time teachers combine the offices of engineers and registrars. Teachers and officers wielding political clout are re-employed after their retirement for years. Strong V.C.'s put all statutory committees into the cold-storage and take vital decisions on their own.

121. In certain universities the vice-chancellors had seldom sat in their office-rooms and had instead functioned from their private residences. Some had operated most of the while from the State headquarters basking under the warm company of their political patrons. Some had paid flying visits to their office-rooms at odd hours just to refute the charge. Some had considered that necessary for avoiding the crowds, which were left to be faced by the various lines of defence, such as the Proctor, the Dean of Students' Welfare, the Rector/Pro-Vice-Chancellor, etc. Even the routine meetings of the university bodies were held on sundays and holidays and at odd hours and at inconvenient places, thereby harassing the teaching and the non-teaching staff—a new type of 'bonded labour'. The Chancellors and the U.G.C. High Command were received, not at the campus but at other, far away places, without demur or murmur, so that they did not obtain an on-the-spot impression of how things ran and stood.

122. Certain political-minded senior teachers patronised rude, arrogant and loose-tongued junior teachers and used them against one another as their pawns or lieutenants, mostly along caste lines. Good and noble teachers encountered the jealousy of such teachers and were not cared for even by vice-chancellors. Even seminars smelt of the caste odour of their organisers and participants. If the vice-chancellor was the Chancellor's man, then the Registrar/Financial Adviser was the Chief Minister's man, and vice-versa, when both vied to control the university.

123. A very useful study by P.N. Dua of the Minorities Commission of the problem of student unrest in Bihar State points out that their frustration in life and their exploitation by politicians were responsible for this. It was common practice for politicians in the State to keep a contingent of assertive students under their patronage and, in some cases, on their pay-roll. The students were an inevitable staple in the carnival system of electioneering for the politicians. In the process the politicians had to protect the students even when they were at fault. What was true of Bihar was true of several other States. The tragedy of Indian politics in practice was that while, on the one hand, political leaders ceremonially exhorted students to keep off politics, in reality, on the other hand, they not only encouraged them but also worked in association with them and tried to induct them into politics. Frustration encouraged the youth to commit acts of rudderless hooliganism like ticketless travelling, free lift-seeking, eating from way-side joints without paying, and eve-teasing. The differences in the attitudes and approaches of the urban and the rural youths were vast and exacerbated the polarisation between the city and the village already existing at various levels. Frustrated students from the urban middle and upper-middle classes showed a different pattern of aberrent behaviour. They were usually involved in hold-ups, kidnappings for ransom, bank robberies and confidence tricks. The rural drop-outs, who continued to show delinquent behaviour even in post-adolescent period, turned into village hooligans or joined a gang of dacoits. The corresponding urban ones took to drug-trafficking, forgeries, organised white-collar crimes, and the like. But the causative factors in each case were identical.

124. One explanation of the tendency of the youth towards indiscipline is that they distrust the guardianship or leadership of the people in whose care and

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charge they are placed, when they find to their utter dismay that the latter are themselves indisciplined and corrupt and have no scruples against using them for the attainment of their ignoble ends. 'Down with everything' appears to be the slogan of their rebellion. They reveal their preference for passionate political activity and social criticism as against shouldering their share of responsibility, for emotional spontaneity as against rationalised action. This attitude is born of erotic social tension and anxiety. Milton's *Satan* is their motto.

A peculiar attitude of the mind of the youth is growing in certain parts of the country. The young people are loath to spend their time and energy on activities directed at countering health hazards and counter-productive actions of the public or private sector. Loud-speakers blaring erotic music at the highest pitch round-the-clock in the vicinity of the college and university hostels, non-stop load-shedding by the Power Boards (even during study hours and days of examinations) in the campus, dumping of garbage by everybody near the lecture-halls (not removed by the municipal corporations for weeks on end), dark, dirty, unventilated, fanless classrooms, inadequate drinking water and common-room facilities, disturbance caused by workers carrying on repair and white-washing works during lecture hours, etc.—no amount of appeal to the students will stir them into protest against these to the authorities concerned. They will refuse flatly to do this. Positive, constructive work is not their concern. Only negative, destructive work is their business.

125. In India anyone, who is not a manual worker and is literate, is an intellectual. All pen-pushers are intellectuals on this extremely liberal criterion. *Mutatis Mutandis* anyone who has some concern with education or an educational institution, irrespective of its form or nature, or who speaks or writes on education, is an educationist, and if he holds an administrative post in such an institution (or in the department or ministry of education or in a commission or council which appoints teachers, for that matter), then he is an eminent or a hard-boiled educationist. An educationist is always an intellectual. And an intellectual is a talent or even a genius!

An expert defines an intellectual as one not only "highly educated" but also one with "a deep political and social consciousness"—divested of this, he would be "a professional" but not an intellectual An intellectual is an idealist, a visionary (A. Jha, *Statesman*, July 25, 1982).

126. The secret of success of the intellectual of to-day lies in one ounce of work and nine ounces of flattery and patronage. A good many intellectuals behave as polished beggars and plate-lickers, fighting for crumbs. By the bye, the increasing life-span of the people, if not matched with the forking out of more opportunities and generous benefits, to enable the old and the retired to continue to lead a meaningful existence and to put their accumulated skill and experience to good social use, may force them to become burdens on their families, the state and their own conscience (smitten by boredom and uselessness). "Caught between the impetus of change and the inertia of tradition . . . the elderly find themselves bereft of either familial or institutional care" in India. The Japanese Government has legislated that the older personnel must constitute a minimum of 6 per cent of the full-time staff of any organisation and offers financial incentives to establishments employing people between the ages of 55 and 64.

127. It cannot be gainsaid that there are sharp, knowledgeable, intelligent, well-qualified and competent persons among the politicians, although they are in a minority and they are generally to be found amongst the members of Parliament. Most of the members of the State legislatures are people with poor educational qualifications. Evidently, the faculties required in politics are of a different type. But most politicians possessing good educational attainments are intoxicated with power and authority and suffer extremely from conceit and pride. Barring the solitary case

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Indian politics is the dumping ground for jacks, lotus-eaters and opium-smokers. Anyone with some assurance or hope can jump into it any time. It does not require vocational counselling.

128. Gone are the days of the shy, recluse, lone-wolf or ascetic-type scholars and thinkers. Smartness and sociableness pay now-a-days a lot more. Many scholars earn distinction by using the work done under them by a team of dedicated researchers as their own. One-man work is naturally handicapped. An excellent power of delivery and oration at public meetings attended with flashes or sparks of original thinking carries greater weight than deep and profound scholarship. The present make-up of the academic or intellectual world is not *atomistic*; it is *macro-molecular*.

The segregation among the intellectuals in India retains the vestiges of the caste system in a general way.

129. An M.P./M.L.A./M.L.C. or a trade union leader or an industrialist will often be called upon to speak before a university professor or an intellectual is asked to speak at a meeting presided over by a politician chairman—so low is their social standing today.

130. During the Emergency of 1975-77, on orders from the Government certain universities had directed their employees not to publish any articles without obtaining prior permission. The function of the intellectuals had been supposed to be to provide "ex-post rationalisations" of the Government policies.

131. This has given rise to intra-class inequality due to the rise of "meritocracy"—the privileged among the unprivileged. The prominent SC/ST public officials are exhibited as the show-pieces of the government policy of redistributive justice.

132. Caste is the most important rallying point in several States, as language is in others. It is as if the highest level of the cultural development of the residents there. It has overshadowed class and severely restricted the growth and spread of the class sense. It is very ancient. 'Class' by comparison is very recent. Whereas caste alignment is packed with potential gains on several fronts (economic and non-economic), class alignment is studded with a potential gain on a single front (economic).

Like *Time*, casteism is very powerful. It gives, and it takes. In States like Bihar even social and family contacts and friendships, exchange of obligations and favours, fellow-feeling, diversion of enmities and envies, etc., are all caste-based.

In Hindu religion even the incarnations of gods and goddesses and the planets have castes assigned to them.

133. According to a news item, published in the *Statesman*, Delhi, 19.2.82, reproducing the speech of a backward class leader of national eminence (we do not assert its accuracy, for it may be exaggerated), in 1982, 5 per cent of the members of a particular forward caste had secured more than 50 per cent of the top jobs in India. In a Cabinet of 18 members 9 belonged to that caste. 50 out of 96 vice-chancellors, 320 out of 500 secretaries, additional secretaries and top bureaucrats, and 9 out of 16 Supreme Court judges belonged to that caste.

Such was the collusion between the Chancellors of universities and the Chief/Education Ministers in certain States that whenever and wherever three vacancies had arisen in the universities (which had become virtually a government department) and educational institutions, which were to be filled up by nomination, one went invariably to somebody belonging to the caste/community of the Chancellor concerned, one to somebody belonging to that of the Chief/Education Minister concerned, and the remaining one to somebody belonging to any of the castes/communities in the State concerned, resting upon his political pull and pressure. This process [illegible] satisfied the bucket-in-the-well principle.

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This was certainly not the shape of justice and equality which the Constitution of India had resolved to ensure on January 26, 1950.

The Commission on the Backward Classes in its report maintains that casteism in India provides the political leadership with ready-made channels of communication and even mobilisation. According to it, what caste has lost on the ritual front, it has more than gained on the political front. To a large extent, the caste hierarchy also reflects a corresponding economic backwardness of the affected sections in Indian society. The weaker sections are the main producers of the social surplus. Their social labour is the life-blood of India's great civilisation. In spite of this, they are treated as out-castes. Caste conditions and controls every aspect of an individual's life. Hence, the lower castes are backward not only socially but also educationally, economically and politically.

We can add, in parenthesis, that the *North-South* disparities characterise the Indian social set-up as well. All benefits of progress are harvested and consumed at the upper layers of the caste structure, leaving little to percolate to the lowest levels. Independent studies in various States (Punjab included) attest to this.

134. During the lean periods of the Congress Government at the Centre and in the States the CPI had its pound of flesh for extending or continuing its support, so much so that many mediocre politicians and intellectuals who professed to be the cardholders, or sympathisers of the party secured posts—ministerial or prestigious—out of proportion to the numerical strength of the party from the Congress Government.

135. A short rendezvous with the statistics of the representation of the two broad social groups—the 'forward' and the 'backward'—in the ministries, public services (including the universities), etc., before 1977 and after 1979 would show up what our point is: The representation of the latter had dwindled. In spite of this, the backward class members of the ruling party did their utmost to exploit the sentiment of the backward classes when it put up its candidates for the high offices in the country, coming of these classes, by appealing to their leaders and legislators to vote for them wholeheartedly, forgetting all differences of party affiliations as well as the anti-backward class attitudes of the party.

136. Even at the national level, certain leaders, more so when in power and less so when out of it, have been credited by the public opinion with the championship of their own caste-men on account of their proven weakness for them and their proven prejudice against the men of other castes, and their followers in the States have simply taken their hints from them in moulding their social conduct. They have acted with a vengeance, a fever, in their purge drive, without any opposition, because the powerless many are no match for the powerful few. Appointments, postings, and transfers, particularly in respect of important offices, departments and places have gone to those in the good graces of the political masters, the caste calculus remaining at the centre of all decisions. While certain castes are destined to rule, other castes are doomed to be ruled, as determined by the distribution of power—political, social and economic—among them.

In Indian democracy the rulers formulate their political strategy with reference to *number*—a section in a large number catches their attention more than a section in a small number, but the intended distribution of the economic favours approved of by them to the members of the larger section is distorted by the power blocs (being the creation of certain privileges—traditional or modern) which control that section.

137. A mere five years' membership of the State legislature or Parliament entitles a person to a life—long pension. In other public services one has to put in several years' service to entitle oneself to this.

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Politics was replete with great insecurity and risk and demanded a great monetary sacrifice prior to Independence. Now it is a gold mine. This is attracting even the non-politically-minded castes to itself. Political Darwinism alone can slacken their growth.

138. In India, as elsewhere, there are certain families which specialise in politics.

139. Different members of the same resourceful families of the politically shrewd, nay, cunning castes are apt to join different political parties and to fight elections on their respective tickets, sometimes against each other in one and the same constituency, having, however, perfect understanding, lucidity and tolerance with regard to their conflicting political agenda within the four walls of their families, with a view to maximising the political advantages flowing to their family as a whole from that policy, against the constraint of political uncertainty. Active membership of a different party of a junior member of a nationally significant family may become unbearable to its senior member(s) if he (they), as a member (members) of a different political party, rides (ride) the crest of the great tide of national politics and their clash may then produce nation-wide vibrations. In a nutshell, there is multi-party specialisation by the members of certain Indian families immersed in politics.

Apart from this, the electoral constituencies have lately tended to become fiefs allotted to particular families by the different political parties. If a constituency is vacated by a man, his wife is the first claimant to it. If she is not there, then it goes to his son or daughter. If he is issueless, it goes to the next of his kin. It is not always on the humanitarian ground that this is decided; often the consideration is purely political. The same political leaders as foster this fiefdom at this primary level oppose the idea of the Prime Ministership or Presidentship of the country being on a dynastic basis, forgetting that charity begins at home and that there could not be different principles for different tiers of the electoral process.

Just as the river Ganga is held in the highest national esteem, so are the few families (particularly those from the upper castes) for their role in the national freedom movement and independence and their histories are sought to be made into the history of the nation. What Indian people and their historians will think of them 25/50/75/100 years hence is too difficult to guess at present, though one is reminded of a very significant remark made by A. Gray, "Time has a strange trick of putting down the mighty from their seats and exalting those of low degree; and it may later be found that some who have made most noise have been merely loud speakers in a *cul-de-sac*" (*The Development of Economic Doctrine*, London, 1931 ed., p. 364).

140. Our politicians always declare that the country has made great strides since Independence and is poised for rapid progress.

To "substantiate" this statement we may refer to the morass in which the old age pension and social security scheme of the Bihar Government had landed itself in less than a year. This scheme had "the makings of a slovenly planned populist measure". What upset the Government was "the financial impact" of the scheme. It had been launched "massively without any ceiling on the number of recipients and without adequate precaution to prevent fraud" (*Indian Nation*, Patna, June 19, 1982). The Uttar Pradesh Government, which had followed suit, was having similar experiences.

141. Politicians like Lal Bahadur Shastri and Vishwanath Pratap Singh come to our mind. Shastri as Union Railways Minister resigned when he could not get train accidents checked. Singh as Chief Minister of Uttar Pradesh resigned when he failed to get carnages of innocent persons in his State stopped. Both had no lust for power. Both had conscience left in them.

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Both did not want to go on presiding over corruption and disowning inefficiency. Both were good, honest and God-fearing. The country is in dire need of such politicians as have the guts to own up their failures and lapses and to quit their offices.

142. In recent years we had startling disclosures how the authorities in several universities, including vice-chancellors, assumed the role of discriminating monopolists in the covert sale of seats, posts, contracts, etc., minting money for themselves and for their political mentors. There was furore in the legislative bodies over the misdeeds of only such persons among them as commanded a weaker political clout. The more powerful ones got away scot-free. Some were provided with still more prestigious and lucrative offices immediately after their sacking by the same Government inasmuch as it could not afford to incur the displeasure of the politicians belonging to their castes or communities. In other words, the thieves were garlanded.

The political influence a person wielded was measured by the caste to which he belonged, and the political influence of a caste relied upon the number of legislators and members of Parliament coming of it. The Great Magic Wand of Caste was highly relevant in States like Bihar. Caste consciousness was ubiquitous.

The corrupt and artful administrator teachers and officials of the universities greased the palms of the equally corrupt members of their syndicates to defend them as their standing attorneys or mouthpieces whenever charges were levelled against them at their meetings. Decisions favouring the organised sections of the employees, even when declared unlawful were adhered to, so that they suffered no hardship, as if they were the whole community.

143. Some of these bosses (sugar barons, in particular) are so very wealthy that they spend several crores on the weddings of their sons and daughters, vying with the head priests of the national temples, and the *Maharajas* and the *Nawabs* (of the past) and the *nouveau riche*, who roll in black-money and sex vices and crimes, excelling their Western counterparts.

144. Such conciliation is a property of the First Law of Parkinson. The creation and expansion of these white elephant-type bodies ("Much Cry, Little Wool") are measures leading to the creation and accumulation of disguised unemployment.

145. M.R. Pai (*Indian Nation*, Patna, June 13, 1982) recounts how the politicians and the administrators are in the habit of shaking the "Golden Pagoda Tree" (reminiscent of the East India Company days). Unless our politicians have their own honest means of livelihood other than their political posts and unless they can lead a simple life and yet remain happy, their lust for power and pelf will not go. But we very much doubt this, for even if the Indian politicians have plenty of personal wealth, they would leave no stone unturned to go on living on the public purse unto their last and fall for a mess of pottage.

146. The institutes headed by certain teacher ministers in certain States managed to obtain huge funds from the U.G.C., the Planning Commission, etc., for the conduct of seminars and research projects. All along academic backbenchers and second-(or even third) raters, they had been overnight hailed as geniuses in their respective disciplines.

147. In 1982 the Opposition parties were accused of raising the bogey of corruption for the sake of attaining their political ends despite their knowledge that *angels* were nowhere to be met. Their logic is that in public life to-day even if the character of a man is as white as snow, he cannot escape calumny by his rivals and enemies, who would like to ditch him at the earliest.

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148. Thereby hangs a tale of yellow journalism. In a particular State in one of its universities a new vice-chancellor was appointed. He conceded the demand of the students that there should be no police on the campus, proudly narrating how as Principal of a college for some years he had managed its affairs without ever seeking the help of the police, and he knew how he could run the university without it. The next day a daily of the State belonging to his kindred caste spared no words to praise his decision and his qualities. But within two to three days, finding that the students would not let him work in his office quietly for even an hour, he went back on his decision, whereupon that daily again wrote a leader extolling his tact to the skies. In fact, that vice—chancellor never sat in his office during the teaching and office hours on the working days.

Personal defences or attacks characterised some journalists' writing. Curbs were being placed on the press by certain State Governments (Tamil Nadu, Orissa and Bihar) against publication of "indecent, scurrilous and libellous matters" by it, much to its chagrin and trepidation, as it was likely to become the thin end of the wedge and gag or muzzle it. This and the bugging of telephonic conversations and the censor of the postal mails may bring the emergency back 'by stealth'.

149. But Mr S.L. Shakdher, Chief Election Commissioner made a startling remark in May 1982: "My observations over the years have led me to believe that people, who have not attended school or university, make better legislators". All the same, our political forums are now different kettles of fish.

150. In many cases the fence had swallowed the field.

In one State, soon after the mini-general poll in May 1982, in the course of ministry-making by a party with the thinnest majority, the price quoted for M.L.A. was Rs 5 lakhs; a few days later it was Rs 8 lakhs; and subsequently it rose as high as Rs 18 lakhs. Added to this were baits like the chairmanship of a corporation or a public enterprise that were dangled in front of an M.L.A. (*Sunday*, Calcutta, June 6-12, 1982).

If not misunderstood, we would like to point out that the novel principle of '*Conscience Vote*,' preached first by Mrs Indira Gandhi in the 1969 Presidential election, gave the first ever recognition to the open violation of the intra-party discipline and has whetted the urge for it ever since. But that violation was justified on the ground that it was unavoidable because basic issues (Mrs Gandhi versus right reactionaries) were involved but the same principle of 'conscience vote' was rejected by Mrs Gandhi in the 1982 Presidential election as disgraceful to the nation (*Statesman*, June 30, 1982). Whatever the pros and cons of 'conscience vote', at least one thing is evident: It may be confused with opportunism or time-serving.

151. Speaking of courtesy, it would be unfair on our part to single out the politicians for the lack of it, for at present the other sections of our society, e.g., teachers, journalists, etc., who are very sensitive members of society are—most of them—devoid of it. Ere long our society may be completely stripped of it. We think this is becoming a global problem.

152. The Indian currency (in hundred-rupee notes), smuggled out of the country, is routed back (sometimes diplomatically) to pour in and flood it at opportune moments for serving political purposes (*Statesman*, August 14, 1982).

Lately, the places of worship have begun hoarding arms and ammunition in their basements purchased with the smuggled foreign funds.

153. The more Hindi-speaking a region, the higher the rate of its illiteracy, the more caste-minded its people and the less prosperous it is, the greater is the degree of its political volatility and instability, as also more to the right and less to the left of the centre is it prone to be. Its political reactions are of an extreme order. Its residents are either blind hero-worshippers or blind iconoclasts. They are governed more by the heart than by the

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head. The proportion of the negative (anti-establishment) votes is increasing, whilst that of the affirmative (pro-establishment) votes is decreasing. In some constituencies both types of vote overlap. In short, the pattern of voting is neither uniform nor stable throughout the country or in the individual States.

154. In Indian democracy men are equal but there is selective man-worship and the number of men worshipped is large and ever-increasing. To quote Mrs Robinson, "Western liberalism has only warmed the surface of the deep waters of Indian tradition." China has displayed a different pattern of social reaction under its radical social engineering or technology.

155. It is in this sense that the Indian politicians, like the businessmen, may be said to constitute a sort of caste or tribe. Again, like the businessmen, they are not subject to any age-bar. To quote Pigou, "Politicians . . . are headstrong youths at 50, about fit for high office at 65, still going strong at 80. It is not till they have tipped the century that the leader of their party whispers: 'Old So-and-so is getting a bit hard of hearing; in another ten years we shall have to make him a Judge' " (*Income*). In our country he becomes a Governor or heads a high-level commission, comprising the jewels of the country. Lately, some Vice-chancellors were above 65.

156. By preferring such politicians as are more corrupt and dishonest, and hence butts of regular public criticism for ministership, they may exercise greater control over them and draw from the demoralised panel more obedience and compliance than otherwise.

157. Some towering politicians, who felt like a fish out of water when not in Government even for a day and therefore kept defecting from party to party or forming party after party in the hope that that might put them back into office, had their hopes dashed to the ground for want of capacity to hold themselves back for a while as well as for want of patience, sacrifice and foresight which could have lodged them back on their long-coveted offices. So what they made on their round-abouts, they lost on the swings. They were like street cats and unlike territorial animals in their general well-being.

158. Or even a federal front—each party retaining its entity but fighting on one symbol and one election manifesto.

A few remarks made by Mr N. Sanjiva Reddy, President of India, in his farewell message to the nation (on July 24, 1982) are worth alluding to in this context:—"Democratic form of government is rule by reason, by persuasion." "The voice of the minority and the voice of the Opposition, which too represents a sizable section of the people, should be heard and given all possible consideration. The Opposition on its part has to be reasonable and constructive in its approach . . . there must be an Opposition that can expose the mistakes and misdeeds of the ruling party, so that the latter may always be kept on its toes." Democracy is "essentially civilized conduct of human relations and affairs. Restraint and moderation, understanding and accommodation, decency and uprightness are the basic values that go to build a sound democratic system." Mr Reddy confessed that the public's disillusionment was daily growing, that increasing concentration of wealth had disturbing implications for the working of the Indian democratic system, that once people realise that their chosen representatives are persons of integrity informed only by a spirit of service, they will be both enthused to join in a national effort for development and be ready to endure hardship. But it is difficult to share his optimism that "a nation that has achieved so much in the short span of 30 years gives promise of ability to bring about a better life for the mass of its people". As a matter of fact, this country has not achieved much materially in 35 years—some other countries did far better in much shorter periods, and, what is worse, it has lost a great deal on the moral and human front. It accounted for 1.2 per cent of the world's industrial output and 0.5 per cent of the global exports of mannfactures (machinery exports=0.1 per cent). It produced 1.4 per cent of the world's electricity and 4 per cent of its fertilisers. In 1981-82 [illegible] exports [illegible]

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Rs 700 crores (as compared to South Korea: Rs 1800 crores and Hong-kong: Rs 1608 crores). Its share was less than 0.6 per cent in the world's aggregate R & D expenditure. Its private sector spent one-tenth of that but achieved better results. It had only 2.4 per cent of the world's science and technological power (Japan had the same percentage but had achieved far more owing to greater dedication and better team work).

159. No opposition party at present has an all-India character which the Congress(I) undoubtedly has. The opposition parties are either regional or communal or caste-oriented or are simply amorphous masses, some standing perpetually on the razor's edge, though each going it alone. One dominant political party and a number of small political parties in the country—this sounds as a variant of the oligopoly case. This also explains why there cannot be any nation-wide stir against the ruling party.

That there is no one else in the Congress(I) at present, even one-tenth in political stature of Mrs Indira Gandhi (and she certainly outruns all her opposition leaders put together), with the result that its fortunes hinge wholly on her personal appeal to the people and her efforts is not a healthy sign for her party, and hence, naturally, the question : Who would lead that party after her? This state of her party has made it all the more essential for her to launch a relentless offensive against all opposition parties. The enlightened sections may be critical of her policies but the unenlightened sections know her and her alone. The States with the lowest percentages of literacy (especially, female) are solidly behind her.

They express fearlessly their steadfast faith in her leadership. Against her, the other leaders in her party give the impression of 'lamp-posts'. This is her forté.

The mini-general election of May 1982 revealed certain striking features of Indian politics. Firstly, the detractors of the Congress party lack a coherent behaviour pattern. Their relations with that party are ambiguous, particularly at the constituency level. This helps it rather than hinders it. Their leaders can also make a virtue of political immorality out of necessity—personal or of their party. There are swift shifts in emphasis in their public pronouncements. The leaders of some opposition parties having no base are so conceited and ambitious that they consider themseves to be suited for the only post of the Prime Minister of India. Secondly, the personal popularity of all front-line political leaders and the credit of their political parties are slumping. No one can be complimented for grand mastery in the game of elections. Charisma is not indestructible; it can be 'a wasting asset' and a performance to the satisfaction of the populace is a far more reliable asset of any party. Thirdly, power is "the ultimate justification of both means and ends". For the sake of it any party can be bull-dozed into unethical action, such as encouraging defection and thereby forming a ministry, even if it remains shaky. The growth of defection implies a dichotomy between voters and legislators. "What voters do, legislators, through defection, undo" (Sahay in the *Statesman*, Delhi, May 27, 1982). Lastly, the relative parts of the stabilisers and destabilisers of the votes of the ruling party in the States are so very vague and unstable that no prediction can be made with confidence that it has no alternative, though for the discernible future we daresay that at the national level the Congress will remain the single largest party, and its leaders will use any argument that they think can serve their purpose at the State level. A one-leader-centred party is prone to ageing alongwith his or her ageing, all the same.

160. It cannot, however, be denied that in some parts of the country those atrocities were replies to the resentment expressed and the challenge thrown by some militant members of the weaker sections themselves by first dishonouring the women of the stronger sections of the Indian society and by indulging in a few cases of physical violence against some of their members—manifestations of pent-up hatred against contempt and exploitation for ages perpetrated by them—might be under instigation of the Naxalite and secessionist elements.

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161. We regard unconstrained universal suffrage and dynastic or dictatorial control of the highest executive offices in a democracy as incompatibles. If they become compatibles for a while, one has to quit.

162. Mrs Indira Gandhi keeps on saying publicly that the main objective of the unity exercise of the opposition parties is to weaken her Government in a bid to remove her from the office of Prime Minister of India (*Statesman*, June 30, 1982). The leaders of the opposition parties would do well to reply to this charge and to state whether in a democracy they are justified to do this or not. At least the meaning of Mrs Gandhi's accusation should be made clear to the people. (Incidentally, some columnists report that she is kept misinformed and aloof from well-meaning sources of advice).

This apart, the chances of such unity have been dimmed by the increased bickering among the Opposition leaders in recent months.

163. Such men that are at present in any political party are not really tolerated by its old guard comprising the professional, die-hard, veteran members because they cannot toe their line nor see eye to eye with them on multifarious issues. Lately, the top matinee idols, the popular film stars are being inducted into Indian politics to lead agitations or to succeed their seniors who have been in it by sheer luck. The day is not far off when our priests, sportsmen, poets and musicians of national or regional eminence may also decide to enter politics. There is not only power in politics; there is also lots of money in it—for those in it today and for their unborn generations.

164. Even Governors of some States were not spared. They had to go. The whole world knows that their appointment is purely political, although they are expected to remain above party politics. A new Government can get Governors appointed by its predecessor replaced any day, unless they convince it of their absolute obedience. As an ex-Governor put it, the constitutional safeguards available even to an ordinary public servant or peon are not available to the Governors (see R. Tilak's despatch in *Indian Express*, Delhi, May 26, 1982). In the same breath we can say that they are not at present available to the vice-chancellors in certain States as they can be asked to resign and go by their Chancellors, who have to act at the behest of the State Governments or even on their own during the President Rule (as happened in certain States).

But if the entire lot of the Governors/vice-chancellors appointed by a defeated Government has to resign and to go without there being any pick and choose or discrimination, or better, if a convention develops as in the case of the Attorney-General or the Advocate-Generals, who resign on their own when the Government appointing them is gone, then there could be no grievance. But it is really humiliating to those officials when out of a lot, someone has to go and the rest are allowed to remain because of extraneous considerations.

165. Recently there has been some resentment in the corridors of power over excessive political encroachments on the normal privileges of the civil servants. The growing frustration and discontent among the bureaucrats over discrimination and injustice by the ruling politicians against them may cost the ruling party much at the next general elections through their inducement of bogus voting—one of their principal weapons of retaliation. Bullets will confound ballots still more.

Administrators in all places tend to become identified with particular politicians.

Conditions obtaining in most spheres of activity are unconducive to the performance of *fundamental duties*, viz., developing the scientific temper, humanism and the spirit of enquiry and reform, and striving towards excellence in all spheres of individual and collective activity so that the nation constantly rises to the higher levels of endeavour and achievement. In truth, our political lords are least interested in these matters.

If an establishment is presided over by a corrupt or dishonest or incompetent person or a casteist or communalist, surely we cannot expect him

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or her to get rid of or to punish those of his or her subordinates who are corrupt or dishonest or incompetent or are casteists or communalists, for "Like boss, like subordinates" !

Can't the operation of *Gresham's Law* in the social realm in full force, whereby bad men drive away good men from everywhere and deprive them of their social subsistence and themselves monopolise all actions and decisions, solve our problem in a generation ? This is a big questionmark.

166. Our hunch is that the patronizing of such non-qualities by the politicians is bound to boomerang on them or their party some day with disastrous consequences. In other words, they might have to snap their noses to spite their faces !

A legislator alleged in Vidhan Parishad (Bihar) on July 28, 1982 that the *Bhumihar* officers "with integrity and honesty" were being victimised in a planned manner by the present Government [Congress (I)] and threatened that if the present trend of harassment against them continued, he would mobilise support to raise a *Bhumihar Sena* to counteract it (reported by *Indian Nation*, Patna, July 29, 1982). Our ruling politicians content themselves with *minimum qualifications* (or negative qualifications) while elevating their favourites to the prestigious posts—their essential qualification being that they are their own men.

167. Officers, especially of the police and the revenue departments, are posted at different places under pressure of leaders and legislators and members of Parliament of the ruling party on caste and communal lines and then used by them to settle their personal and political scores, often involving violence. Our politicians do not want efficiency, they want control.

Such is the conjunction of forces that men from two to three districts/States come to monopolise all the key posts in the State/Central secretariats.

168. Ghastly stories of treachery and duplicity on the part of certain ruling politicians are told as to how they took some of their honest and able, suave and dignified officials, though belonging to different castes/communities, into confidence and got from them the names of their intriguing subordinates, assuring that their tails would be twisted and their wings clipped but actually what they did was to set some of those reported persons, belonging to their own castes/communities, against them. The result was that they became more miserable in the discharge of their duties and were eased out of their offices sooner than later. Among these stories is the story how teachers coming of very powerful castes, who were born trouble-makers and who hatched plots for the ouster of their vice-chancellors in certain universities, for which they had been reported earlier to the superior authorities in good faith, succeeded in actually getting them ousted and themselves appointed in their places by doing great personal favours to the appointing authorities and by enlisting the kind blessings of their political mentors—their caste-men.

In certain universities the Chancellors/Chief (Education) Ministers, through their over-acting and crazy notions, had made a greater mess of their affairs. They were keen on making new rules and regulations but lukewarm about their implementation. Their witch-hunting had resulted in their returning home empty-handed. They had been out-witted. But they had at least treated the universities as guinea-pigs, right and left.

It is easier to believe that an elephant can be passed through a needle than to believe that a politician is an apostle or an appreciator of merit, ability and administrative cleanliness. Self-love, casteism, communalism, regionalism, encouragement of indiscipline and inefficiency are his Moses and his Prophets! How like a flower they look, though they are really like the serpent under it !! And they have multi-point programmes for the people and a one/single-point programme for themselves !!!

169. Social scientists are "the subjects—even the victims—of (their) preconceptions, prejudices, sentiments, and sordid interests" (Samuelson).

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P.S. In doing the page entries in the two indexes the author's family has lent him a hand.

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Errata

Page	*Line*	*Incorrect*	*Correct*
8	26	category farmers	farmers
9	25	is to	are to
10	1	has	had
12	11	raw material	raw materials
16	5	limitation	imitation
18	14	earning are	earning is
18	23	service ration	service ratio
19	30-31	inflation raging	inflation-raging
20	40	of	are
21	10	induces	induce
21	13	induce	induces
21	39	economy of black	economy or black
23	28	payment	payments
28	18	locunae	lacunae
28	24	sent prices	prices sent
28	46	*chappatis*	*chapatis*
29	20	intermediates	intermediaries
29	40	demestic	domestic
30A	19	narional	national
31	24	complimentary	complementary
33	2	has	had
37	10	consequent to	consequent upon
37	16	trigger	trigger off
41	2	Agrawala	Agarwal
42	18	According to	According to the
43	26	work	weak
43	39	factor	faster
44	43	that growth	that the growth
45	24	matrices	practices
49	6	advance	advances
49	14	haclare	hectare
49	40	release	releases
49	43	that growth	that the growth
51	38	in row	in a row
53	21	are to	are to be
53	36	gulf	bulk
53	37	owned	owed
55	3	seems	serves
58	7	parallel black money	parallel or black money economy
59	8	appears	appear
64	23	Third Plan	Third Plan onwards
64	37	was	were
69	38	turn on	turns on
69	45	centring	centring

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Page	*Line*	*Incorrect*	*Correct*
71	23	chose	choose
73	42	draw	draws
74	40	cubersome	cumbersome
76	5	has laid in	has lack in
79	36	of morale	of the morale
80	5	reported upon	reported
82	16	now reduced	now been reduced
83	7	water-down	watered-down
84	28	implled	implied
84	35	hindered	hinder
85	26	Their is	Theirs is
85	40	No States	No State
86	34	have	has
87	42	Cast	Caste
88	18	causes	the causes
88	29	exchanges	exchequer
88	47	of the	the
89	28	institution	institutions
90	7	large proportion	a large proportion
90	27	law value	low value
90	36	Confidential Conduct Reports	Confidential Character Rolls (CCRs)
94	43	in the passing	in passing
97	25	the peoples'	the people's
99	10	griped	gripped
101	26-27	wage in employment	wage-employment
101	40	"up by the Bootlaces" approach	"up by the Bootstraps" approach
101	42	uptil now	uptill now
105	8	asking	asking for
105	17	are of	be of
106	17	to those	on those
106	30	respect in	respect to
107	16-17	a piece of good	a good
107	26	duties embodied	duties are embodied
111	31	in diplorable	in a deplorable
112	16	(Hansen)	(Hanson)
112	35	a national norms	a national norm
113	8	non-plan	the non-plan
114	6	high-yield State	high-yielding state
115	31	of IATP formula	of the IATP formula
115	40	put to shoulder	put to it to shoulder
116	11	(Hansen)	(Hanson)
116	37	in one view	on one view
118	44	Hansen	Hanson
121	23	has led	have led

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Page	*Line*	*Incorrect*	*Correct*
122	29	weigh	weigh up
123	10-11	non-agricultural is	non-agricultural income is
123	16	investment	instrument
124	34	have	has
124	43	to taxing	to tax
127	21	At. . ., it is a	It is. . ., a
130	19	an undue amount	an unduly high amount
132	19	half of	half
141	29	they accountly for	they account for
142	36	state and state	state to state
143	11	in the coarse of	in the course of
143	34	its	their
146	27	vacation-specific	vocation-specific
146	35	at gigantic	a gigantic
147	9	was realised upon	was relied upon
151	30-31	technology	technological developments
153	28	development	containing
155	23	containment	cost of production
157	20	coast of production	were
160	23	was	improve
175	41	prove	are beset with
176	23	are best with	ex-port
177	21	ex-porte	sector lose
177	36	sector would lose	higher
180	17	higer	had been
180	42	has been	encouraging
182	10	encouragaing	pressures
183	19	pressure	the Coal India
185	29	Coal India	persons who deposit . . . are provided
186	15-16	persons deposit . . . to be provided	
186	39	has	had
188	43	week link	weak link
194	1	of political offices	political offices
194	35	and	and the
194	41	back	lack
194	45	the Gresham's Law	the Gresham law
197	1	practise the	practise
201	20	Western Region	West
203	18	Asansole	Asansol
204	15	Western Region	West
212	14	there conditions	these conditions
213	17	Natal Control Measures	Post-Natal Control Measures

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Page	*Line*	*Incorrect*	*Correct*
214	21	industries employing	industries are not those industries employing
214	38	trigger	trigger off
215	31	emporily	temporarily
219	27	enjoin the	enjoin on the
221	4-5	with the outside	with outside
221	40	enlarge	enlarges
222	3	fremework	framework
224	44	the set up thing of	the setting up of
250	33	as a pus	as a
268	10	dite	diet
270	6	surface	surfaced
336	18	1970-72	1971-72
345	46	on has	one has
351	21	and are	and new
429	11	formes	former
459	37	facilities	facility
466	12	founded	funded
502	11	turns	turn
509	3	cant'	can't
511	27	did not put	did put
523	9	that it had	that they had
542	31	Jagjiwan	Jagjivan
544	41	communities	communists
549	27	in	is
584	50	politician's	politicians'
585	44	V.C.	V.C.s'
585	51	teachrrs	teachers
587	8	erotic	deep
589	41	purge drive	purge/drive

Without attempting to apportion in print the responsibility for this long list of errors, the author offers his unqualified apology to his readers for them in the hope that he would be forgiven. He is really very sorry, and sad.

In this final post-script the author has to add two more reasons for the delay in the publication of this book : The steep slump in the speed with which the Postal Department has served the people in the last few months ('Take it or leave it' attitude) and the erratic power supply in the author's city matched only by its ineffectiveness for hours on end, often reminding him of the glow-worm.

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